

FREE CONFERENCE CS FOR SENATE BILL NO. 141

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - FIRST SPECIAL SESSION

BY THE FREE CONFERENCE COMMITTEE

Offered: 5/14/05

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, 2006; 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 a retirement plan established in this chapter;

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

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

17 **Sec. 14.25.009. Applicability of AS 14.25.009 - 14.25.220.** The provisions of
 18 AS 14.25.009 - 14.25.220 apply only to members first hired before July 1, 2006.

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

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

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

30 (c) An amendment to AS 14.25.009 - 14.25.220 [THIS CHAPTER] does not
 31 provide a person with a vested right to a benefit if the Internal Revenue Service

1 determines that the amendment will result in disqualification of the plan under the
2 Internal Revenue Code.

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

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

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

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

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

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

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

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

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

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

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

13 * **Sec. 8.** AS 14.25.070 is repealed and reenacted to read:

14 **Sec. 14.25.070. Contributions by employer.** An employer shall make
 15 contributions to the plan in an amount sufficient, after subtracting member
 16 contributions, to provide the benefits of AS 14.25.009 - 14.25.220. The amount shall
 17 be calculated by applying an employer contribution rate, certified by the board, against
 18 the sum total of the base salaries paid to members, including any adjustments to
 19 contributions required by AS 14.25.173(a).

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

21 (b) The employer contribution rate may not be less than the rate required, after
 22 subtracting the member contribution rate, to fully fund the actuarially calculated
 23 benefits expected to be earned by active members during a fiscal year.

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

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

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

31 (a) An employee who is eligible to purchase credited service under

1 AS 14.25.047 or 14.25.048, a member who is eligible to purchase credited service
 2 under AS 14.25.048, 14.25.050, 14.25.060, 14.25.061, [14.25.062,] 14.25.100, or
 3 14.25.107, or a teacher who is eligible to purchase credited service under
 4 AS 14.20.345, AS 14.25.050, [14.25.062,] or 14.25.105, in lieu of making payments
 5 directly to the plan, may elect to have the member's employer make payments as
 6 provided in this section.

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

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

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

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

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

1 amounts are distributed by refund or retirement benefit payments.

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

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

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

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

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

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

26 (3) subject to the limitations prescribed in 26 U.S.C. 403(b)(13),
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 a tax sheltered annuity described in 26
29 U.S.C. 403(b);

30 (4) subject to the limitations prescribed in 26 U.S.C. 457(e)(17),
31 accepting direct trustee-to-trustee transfers of all or a portion of the accounts of the

1 member, on or after January 1, 2002, from an eligible deferred compensation plan of a
2 tax-exempt organization or a state or local government described in 26 U.S.C. 457(b);

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

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

7 (i) On satisfaction of the eligibility requirements of AS 14.20.345,
8 AS 14.25.047, 14.25.048, 14.25.050, 14.25.060, 14.25.061, [14.25.062,] 14.25.100,
9 14.25.105, or 14.25.107, the requirements of this section, and the administrative filing
10 requirements specified by the administrator, the plan shall adjust the member's
11 credited service history and add any additional service credits acquired.

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

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

23 * **Sec. 17.** AS 14.25.143(a), as that subsection read following amendment by sec. 3, ch.
24 146, SLA 1980, until amended by sec. 12, ch. 106, SLA 1988, is amended to read:

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

1 [SYSTEM].

2 * **Sec. 18.** AS 14.25.143(a), as that subsection read following amendment by sec. 12, ch.
3 106, SLA 1988, until amended by sec. 12, ch. 97, SLA 1990, is amended to read:

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

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

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

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

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

19 * **Sec. 21.** AS 14.25.168(a) is repealed and reenacted to read:

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

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

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

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

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

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

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

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

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

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

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

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

12 * **Sec. 22.** AS 14.25.173(c) is amended to read:

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

25 * **Sec. 23.** AS 14.25.175(a) is amended to read:

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

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

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

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

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

8 * **Sec. 24.** AS 14.25.175(b) is amended to read:

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

14 * **Sec. 25.** AS 14.25.175(c) is repealed and reenacted to read:

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

17 * **Sec. 26.** AS 14.25.175(d) is amended to read:

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

23 * **Sec. 27.** AS 14.25.210(a) is amended to read:

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

28 * **Sec. 28.** AS 14.25.220(2) is amended to read:

29 (2) "actuarial adjustment" means the adjustment necessary to obtain
30 equality in value of the aggregate expected payments under two different forms of
31 pension payments, considering expected mortality and interest earnings on the basis of

1 assumptions, factors, and methods specified in regulations issued under the **plan**
 2 [SYSTEM] that are formally adopted [UNDER AS 14.25.022] by the board and that
 3 clearly preclude employer discretion in the determination of the amount of any
 4 member's benefit;

5 * **Sec. 29.** AS 14.25.220(3) is amended to read:

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

9 * **Sec. 30.** AS 14.25.220(9) is amended to read:

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

12 * **Sec. 31.** AS 14.25.220(40) is amended to read:

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

17 * **Sec. 32.** AS 14.25.220(42) is amended to read:

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

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

26 (B) a full-time or part-time teacher of the University of Alaska
 27 or a person occupying a full-time administrative position at the University of
 28 Alaska that requires academic standing; the approval of the administrator must
 29 be obtained before an administrative position qualifies for membership in the
 30 system; however, a teacher or administrative person at the university who is
 31 participating in **a** [THE OPTIONAL] university retirement program under

1 AS 14.40.661 - 14.40.799 is not a member under this system;

2 (C) a state legislator who elects membership under
3 AS 14.25.040(b);

4 * **Sec. 33.** AS 14.25.220 is amended by adding a new paragraph to read:

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

7 * **Sec. 34.** AS 14.25 is amended by adding new sections to read:

8 **Article 3. Teachers First Hired on or after July 1, 2006.**

9 **Sec. 14.25.310. Applicability of AS 14.25.310 - 14.25.590.** The provisions of
10 AS 14.25.310 - 14.25.590 apply only to teachers who first become members on or
11 after July 1, 2006, or to members who transfer into the defined contribution plan under
12 AS 14.25.540.

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

15 (b) The defined contribution retirement plan includes a plan in which savings
16 are accumulated in an individual account for the exclusive benefit of the member or
17 beneficiaries. The plan is established effective July 1, 2006, at which time
18 contributions by employers and members begin.

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

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

27 **Sec. 14.25.330. Membership.** (a) A teacher who first becomes a member on
28 or after July 1, 2006, shall participate in the plan as a member of the defined
29 contribution retirement plan.

30 (b) A teacher who is participating in a university retirement program under
31 AS 14.40.661 - 14.40.799 may not participate as a member of the defined contribution

1 retirement plan.

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

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

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

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

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

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

26 (b) An employer shall also contribute an amount equal to a percentage, as
27 certified by the board, of each member's compensation from July 1 to the following
28 June 30 to pay for retiree major medical insurance. This contribution shall be paid
29 into the group health and life benefits fund established by the commissioner of
30 administration under AS 39.30.095 and shall be accounted for in accordance with
31 regulations established by the commissioner.

1 (c) Notwithstanding (b) of this section, the employer contribution for retiree
 2 major medical insurance for fiscal year 2006 shall be 1.75 percent of each member's
 3 compensation from July 1 to the following June 30.

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

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

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

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

16 (d) In this section,

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

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

22 (3) "eligible retirement plan" means

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

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

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

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

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

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

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

1 installments payable not less frequently than annually over the life expectancy
 2 of the distributee or the joint and last survivor life expectancy of the distributee
 3 and the distributee's designated beneficiary, as defined in 26 U.S.C. 401(a)(9);

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

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

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

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

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

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

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

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

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

1 partially vested in the employer contributions made on that member's behalf, and the
2 related earnings, in the ratio of

- 3 (1) 25 percent with two years of service;
- 4 (2) 50 percent with three years of service; and
- 5 (3) 75 percent with four years of service.

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

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

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

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

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

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

31 **Sec. 14.25.410. Distribution election at termination.** (a) A member is

1 eligible to elect distribution of the member's account in accordance with this section
2 60 days after termination of employment.

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

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

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

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

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

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

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

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

31 (e) Distributions that are being paid to a member may not be affected by the

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 normal retirement age;

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

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

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

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

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

30 (e) If a member has not made a distribution election before the member's
31 death, the member's designated beneficiary must elect the method of distribution not

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

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

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

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

22 (i) In this section,

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

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

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

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

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

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

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

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

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

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

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

1 (4) to the estate.

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

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

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

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

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

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

29 (b) The normal retirement age is the age set for Medicare eligibility at the time
30 the member retires.

31 (c) A member's surviving spouse is eligible to elect medical benefits under

1 AS 14.25.480 if the member had retired, or was eligible for appointment to retirement
2 at the time of the member's death.

3 (d) A member shall apply for appointment to retirement on the forms and in
4 the manner prescribed by the administrator.

5 (e) Election of the retiree major medical insurance plan is not required in order
6 to elect participation in the health reimbursement arrangement.

7 (f) A person eligible to elect medical benefits is not required to participate in
8 the health reimbursement arrangement in order to elect participation in the retiree
9 major medical insurance plan.

10 (g) An eligible person shall make the irrevocable election to participate or not
11 participate in the retiree major medical insurance plan by reaching 70 1/2 years of age,
12 or upon termination of the member's employment, whichever is later.

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

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

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

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

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

1 (f) The medical and optional insurance premiums owed by the person who
 2 elects coverage may be deducted from the health reimbursement arrangement. If the
 3 amount of the health reimbursement arrangement becomes insufficient to pay the
 4 premiums, the person who elects coverage under (a) of this section shall pay the
 5 premiums directly.

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

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

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

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

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

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

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

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

21 (h) The eligibility for retiree major medical insurance coverage for an
 22 alternate payee under a qualified domestic relations order shall be determined based
 23 on the eligibility of the member to elect coverage. The alternate payee shall pay the
 24 full monthly premium for retiree major medical insurance coverage.

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

26 (1) be informed by the administrator in writing

27 (A) that the health insurance coverage available to retired
 28 members may be different from the health insurance coverage provided to
 29 employees;

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

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

4 (j) The monthly group premiums for retiree major medical insurance coverage
 5 are established by the administrator in accordance with AS 39.30.095. Nothing in
 6 AS 14.25.310 - 14.25.590 guarantees a person who elects coverage under (a) of this
 7 section a monthly group premium rate for retiree major medical insurance coverage
 8 other than the premium in effect for the month in which the premium is due for
 9 coverage for that month.

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

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

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

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

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

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

29 (b) If plan benefits are provided through the distribution of annuity or
 30 insurance contracts, any refunds or credits in excess of plan benefits due to dividends,
 31 earnings, or other experience rating credits, or surrender or cancellation credits, shall

1 be paid to the trust fund.

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

4 **Sec. 14.25.510. Nonguarantee of returns, rates, or benefit amounts.** The
5 plan created by AS 14.25.310 - 14.25.590 is a defined contribution plan, not a defined
6 benefit plan. The amount of money in the account of a participant depends on the
7 amount of contributions and the rate of return from investments of the account that
8 varies over time. If benefits are paid in the form of an annuity, the benefit amount
9 payable is dependent on the amount of money in the account and the interest rates
10 applied and service fees charged by the annuity payor at the time benefits are first
11 paid. Nothing in this plan guarantees a participant

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

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

17 **Sec. 14.25.520. Nonguarantee of employment.** The provisions of
18 AS 14.25.310 - 14.25.590 are not a contract of employment between an employer and
19 an employee, nor do they confer a right of an employee to be continued in the
20 employment of an employer, nor are they a limitation of the right of an employer to
21 discharge an employee with or without cause.

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

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

26 **Sec. 14.25.540. Transfer into defined contribution retirement plan by**
27 **nonvested members of defined benefit retirement plan.** (a) Subject to (i) of this
28 section, an active member of the defined benefit retirement plan of the teachers'
29 retirement system is eligible to participate in the defined contribution retirement plan
30 established under AS 14.25.310 - 14.25.590 if that member has not vested.
31 Participation in the defined contribution retirement plan is in lieu of participation in

1 the defined benefit retirement plan established under AS 14.25.009 - 14.25.220.

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

4 (c) Each eligible member who elects to participate in the defined contribution
5 retirement plan shall have transferred to a new account the present value of the
6 member contribution account balance held in trust for the member under the defined
7 benefit retirement plan of the teachers' retirement system. A matching employer
8 contribution shall be made on behalf of that employee to the new account.

9 (d) Upon a transfer, all membership service previously earned under the
10 defined benefit retirement plan shall be nullified for purposes of entitlement to a future
11 benefit under the defined benefit retirement plan but shall be credited for purposes of
12 eligibility to elect medical benefits under AS 14.25.470. Membership service allowed
13 for credit toward medical benefits does not include any service credit purchased under
14 AS 14.25.075 for employment by an employer who is not a participating employer in
15 this chapter.

16 (e) An eligible member whose accounts are subject to a qualified domestic
17 relations order may not make an election to participate in the defined contribution
18 retirement plan under this subsection unless the qualified domestic relations order is
19 amended or vacated and court-certified copies of the order are received by the
20 administrator.

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

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

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

26 (i) A member may make an election under this section only if the member's
27 employer participates in both the defined benefits retirement plan and the defined
28 contribution retirement plan and consents to transfers under this section. The
29 employer shall notify the administrator if the employer consents to allowing the
30 employer's members to choose to transfer from the defined benefits retirement plan to
31 the defined contribution retirement plan under this section. An employer's notice to

1 allow transfers is irrevocable and applicable to all eligible employees of the employer.

2 (j) In this section,

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

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

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

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

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

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

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

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

31 (ii) an amount equal to the difference between the total

1 employer and state contributions required for a member under
 2 AS 14.25.310 - 14.25.590 and the employer contributions that would be
 3 required under the public employees' defined contribution retirement
 4 plan (AS 39.35.700 - 39.35.990) if the legislator were covered under
 5 that plan; and

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

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

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

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

26 **Sec. 14.25.590. Definitions.** In AS 14.25.310 - 14.25.590, unless the context
 27 requires otherwise,

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

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

31 (3) "annuitant" means a member, beneficiary or alternate payee who is

1 receiving a benefit under this plan;

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

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

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

7 (7) "compensation"

8 (A) means

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

13 (ii) the member contribution to the teachers' retirement
14 system under AS 14.25.340;

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

26 (C) notwithstanding (B) of this paragraph, includes any amount
27 that is contributed by the employer under a salary reduction agreement and that
28 is not includible in the gross income of the employee under 26 U.S.C. 125,
29 132(f)(4), 402(e)(3), 402(h)(1)(B) or 403(b) (Internal Revenue Code); the
30 annual compensation limitation for the member, which is so taken into account
31 for those purposes, may not exceed \$200,000, as adjusted for the cost of living

1 in accordance with 26 U.S.C. 401(a)(17)(B) (Internal Revenue Code), with the
 2 limitation for a fiscal year being the limitation in effect for the calendar year
 3 within which the fiscal year begins;

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

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

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

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

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

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

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

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

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

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

28 (18) "normal retirement age" means the age set for Medicare eligibility
 29 at the time the member retires;

30 (19) "participant" means the person who has a vested right to an
 31 individual account, such as a member, an alternate payee if the account is subject to a

1 qualified domestic relations order, the member's beneficiary if the member is
2 deceased, or an alternate payee's beneficiary if the alternate payee is deceased;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

23 (i) a teaching certificate regardless of whether the
 24 position as instructor requires a teaching certificate as a condition of
 25 employment; and

26 (ii) earlier credited service in the plan;

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

29 (A) during any school year,

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

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

- (iii) 27 days or more but less than 45 days, 0.2 years;
- (iv) 45 days or more but less than 63 days, 0.3 years;
- (v) 63 days or more but less than 81 days, 0.4 years;
- (vi) 81 days or more but less than 100 days, 0.5 years;
- (vii) 100 days or more but less than 118 days, 0.6 years;
- (viii) 118 days or more but less than 136 days, 0.7

years;

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

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

* **Sec. 35.** AS 14.40.280(c) is amended to read:

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

* **Sec. 36.** AS 14.40.400(b) is amended to read:

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

* **Sec. 37.** AS 14.40.661 is amended to read:

Sec. 14.40.661. Authority of board. (a) The board may establish **and maintain** [AN OPTIONAL] university retirement **programs** [PROGRAM] for

1 eligible employees in which retirement, health, and death benefits are provided
 2 through the purchase of annuity contracts, either fixed, variable, or a combination of
 3 fixed and variable. Participation in a university retirement [THE] program is in
 4 place of participation in a state retirement system. The university may establish
 5 retirement programs for new employees in a participating position at any time.
 6 Retirement programs must be optional.

7 (b) The board shall

8 (1) provide for the administration of the retirement programs
 9 [PROGRAM], including procedures for resolving complaints from participating
 10 employees;

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

13 (A) nature and extent of the rights and benefits that the
 14 contracts will provide to employees who elect to participate and to their
 15 beneficiaries;

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

18 (C) suitability of the contractual rights and benefits to the needs
 19 and interests of employees who [ELECTING TO] participate and to the
 20 interest of the university in the employment and retention of employees;

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

23 (E) efficacy of the contracts in the recruitment and retention of
 24 faculty and administrators;

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

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

30 (a) An employee in a participating position may elect to participate in a [THE
 31 OPTIONAL] university retirement program or to participate in the appropriate state

1 retirement system. Eligibility to participate in a [THE] program begins on an
2 employee's appointment to a participating position.

3 * **Sec. 39.** AS 14.40.671(b) is amended to read:

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

12 * **Sec. 40.** AS 14.40.671(c) is amended to read:

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

17 * **Sec. 41.** AS 14.40.671(d) is amended to read:

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

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

2 (e) An employee whose rights to transfer assets out of a state retirement
3 system are subject to a qualified domestic relations order is entitled to transfer assets
4 from the state retirement system to **a university retirement** [THE] program only if
5 the requirements for receiving a refund under AS 14.25.150(b) or AS 39.35.200(c), as
6 appropriate, are met.

7 * **Sec. 43.** AS 14.40.671(e) is amended to read:

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

13 * **Sec. 44.** AS 14.40.671(f) is amended to read:

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

19 * **Sec. 45.** AS 14.40.671(g) is amended to read:

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

23 * **Sec. 46.** AS 14.40.671 is amended by adding a new subsection to read:

24 (h) Notwithstanding (b) of this section, the university may offer an employee
25 who made an election not to participate in an optional university retirement program at
26 the time the employee was eligible to participate in the program an option to enroll in
27 a different university retirement program.

28 * **Sec. 47.** AS 14.40.681 is amended to read:

29 **Sec. 14.40.681. Retirement system membership.** An [ELIGIBLE] employee
30 **participating** [ELECTING TO PARTICIPATE] in **a university retirement** [THE]
31 program may not participate in a state retirement system during the time the employee

1 is employed in a participating position. If the employee is later employed in a position
 2 covered by a state retirement system that is not a participating position, the employee
 3 may not continue to participate in **a university retirement** [THE] program and shall
 4 begin to participate in the state retirement system.

5 * **Sec. 48.** AS 14.40.691(c) is amended to read:

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

9 * **Sec. 49.** AS 14.40.701 is amended to read:

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

18 * **Sec. 50.** AS 14.40.799(3) is amended to read:

19 (3) "contribution account" means the member contribution account
 20 under **AS 14.25.009 - 14.25.220** [AS 14.25] or the employee contribution account
 21 under **AS 39.35.095 - 39.35.680** [AS 39.35], whichever is appropriate;

22 * **Sec. 51.** AS 14.40.799(3) is amended to read:

23 (3) "contribution account" means the member contribution account
 24 under AS 14.25.009 - 14.25.220, **the individual account under AS 14.25.310 -**
 25 **14.25.590,** [OR] the employee contribution account under AS 39.35.095 - 39.35.680,
 26 **or the individual account under AS 39.35.700 - 39.35.990,** whichever is appropriate;

27 * **Sec. 52.** AS 14.40.799(5) is amended to read:

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

31 (A) A FACULTY APPOINTMENT; OR

1 (B) AN ADMINISTRATOR AND THE POSITION HAS
 2 BEEN DESIGNATED BY THE BOARD FOR INCLUSION IN THE
 3 PROGRAM];

4 * **Sec. 53.** AS 14.40.799(6) is amended to read:

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

7 * **Sec. 54.** AS 14.40.799 is amended by adding a new paragraph to read:

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

9 * **Sec. 55.** AS 22.25.048(c) is amended to read:

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

14 * **Sec. 56.** AS 22.25.900(1) is amended to read:

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

23 * **Sec. 57.** AS 26.05.226(a) is amended to read:

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

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

31 (2) administer the system.

1 * **Sec. 58.** AS 26.05.228(c) is amended to read:

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

6 * **Sec. 59.** AS 36.30.015(f) is amended to read:

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

21 * **Sec. 60.** AS 36.30.990(1) is amended to read:

22 (1) "agency"

23 (A) means a department, institution, board, commission,
24 division, authority, public corporation, the Alaska Pioneers' Home, the Alaska
25 Veterans' Home, or other administrative unit of the executive branch of state
26 government;

27 (B) does not include

28 (i) the University of Alaska;

29 (ii) the Alaska Railroad Corporation;

30 (iii) the Alaska Housing Finance Corporation;

31 (iv) a regional Native housing authority created under

1 AS 18.55.996 or a regional electrical authority created under
2 AS 18.57.020;

3 (v) the Department of Transportation and Public
4 Facilities, in regard to the repair, maintenance, and reconstruction of
5 vessels, docking facilities, and passenger and vehicle transfer facilities
6 of the Alaska marine highway system;

7 (vi) the Alaska Aerospace Development Corporation;

8 (vii) the Alaska **Retirement Management** [STATE
9 PENSION INVESTMENT] Board;

10 (viii) the Alaska Seafood Marketing Institute;

11 * **Sec. 61.** AS 37.10.071(d) is amended to read:

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

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

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

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

28 * **Sec. 62.** AS 37.10.071(f) is amended to read:

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

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

31 **or**

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

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

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

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

10 * **Sec. 63.** AS 37.10.210 is repealed and reenacted to read:

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

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

25 (1) two members, consisting of the commissioner of administration
 26 and the commissioner of revenue;

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

1 (A) two trustees who are members of the general public; the
 2 trustees appointed under this subparagraph may not hold another state office,
 3 position, or employment and may not be members or beneficiaries of a
 4 retirement system managed by the board;

5 (B) one trustee who is employed as a finance officer for a
 6 political subdivision participating in either the public employees' retirement
 7 system or the teachers' retirement system;

8 (C) two trustees who are members of the public employees'
 9 retirement system, selected from a list of four nominees submitted from among
 10 the public employees' retirement system bargaining units;

11 (D) two trustees who are members of the teachers' retirement
 12 system selected from a list of four nominees submitted from among the
 13 teachers' retirement system bargaining units;

14 (E) the lists of the nominees shall be submitted to the governor
 15 under (C) and (D) of this paragraph within the time period specified in
 16 regulations adopted under AS 37.10.240(a).

17 (c) The trustees, other than the two commissioners, shall serve for staggered
 18 terms of four years and may be reappointed to the board.

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

23 (e) A vacancy on the board of trustees shall be promptly filled. A person
 24 filling a vacancy holds office for the balance of the unexpired term of the person's
 25 predecessor. A vacancy on the board does not impair the authority of a quorum of the
 26 board to exercise all the powers and perform all the duties of the board.

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

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

31 (h) The board shall provide annual training to its members on the duties and

1 powers of a fiduciary of a state fund and other training as necessary to keep the
2 members of the board educated about pension management and investment.

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

6 * **Sec. 64.** AS 37.10 is amended by adding a new section to read:

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

9 * **Sec. 65.** AS 37.10.220 is repealed and reenacted to read:

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

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

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

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

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

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

25 (A) AS 39.30.150 - 39.30.180 (State of Alaska Supplementary
26 Annuity Plan); and

27 (B) AS 39.45.010 - 39.45.060 (public employees' deferred
28 compensation program);

29 (6) establish the rate of interest that shall be annually credited to each
30 member's individual contribution account in accordance with AS 14.25.145 and
31 AS 39.35.100; the rate of interest shall be adopted on the basis of the probable

1 effective rate of interest on a long-term basis, and the rate may be changed from time
2 to time;

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

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

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

9 (B) an appropriate contribution rate for liquidating any past
10 service liability;

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

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

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

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

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

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

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

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

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

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

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

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

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

8 (15) develop an annual operating budget.

9 (b) The board may

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

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

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

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

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

21 * **Sec. 66.** AS 37.10.220(a) is amended to read:

22 (a) The board shall

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

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

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

31 (4) assist in prescribing the policies for the proper operation of the

1 systems and take other actions necessary to carry out the intent and purpose of the
2 systems in accordance with AS 37.10.210 - 37.10.390;

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

6 (A) **AS 14.25.340 - 14.25.350 (teachers' retirement system**
7 **defined contribution individual accounts);**

8 (B) AS 39.30.150 - 39.30.180 (State of Alaska Supplementary
9 Annuity Plan);

10 (C) **AS 39.35.730 - 39.35.750 (public employees' retirement**
11 **system defined contribution individual accounts);** and

12 (D) [(B)] AS 39.45.010 - 39.45.060 (public employees'
13 deferred compensation program);

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

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

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

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

27 (B) an appropriate contribution rate for liquidating any past
28 service liability;

29 (9) review actuarial assumptions prepared and certified by a member
30 of the American Academy of Actuaries and conduct experience analyses of the
31 retirement systems not less than once every four years, except for health cost

1 assumptions, which shall be reviewed annually; the results of all actuarial assumptions
 2 prepared under this paragraph shall be reviewed and certified by a second member of
 3 the American Academy of Actuaries before presentation to the board;

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

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

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

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

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

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

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

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

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

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

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

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

26 (15) develop an annual operating budget.

27 * **Sec. 67.** AS 37.10.250 is amended to read:

28 **Sec. 37.10.250. Compensation of trustees.** Trustees, other than trustees who
 29 are employees of the state, [OR] a political subdivision of the state, **or a school**
 30 **district or regional educational attendance area in the state,** receive an honorarium
 31 of **\$400** [\$150] for each day spent at a meeting of the board or at a meeting of a

1 subcommittee of the board or at a public meeting as a representative of the board,
 2 **including a day in which a trustee travels to or from a meeting.** Trustees who are
 3 state employees are entitled to administrative leave for service as a trustee. Trustees
 4 who are employees of a political subdivision of the state **or a school district or**
 5 **regional educational attendance area in the state** are entitled to leave benefits
 6 provided by their employers comparable to those provided to state employees for
 7 service as a trustee. Trustees are entitled to per diem and travel expenses authorized
 8 for boards and commissions under AS 39.20.180.

9 * **Sec. 68.** AS 37.10.270(a) is amended to read:

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

15 * **Sec. 69.** AS 37.10.390 is amended to read:

16 **Sec. 37.10.390. Definitions.** In AS 37.10.210 - 37.10.390, unless the context
 17 otherwise requires,

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

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

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

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

1 * **Sec. 70.** AS 37.14.160 is amended to read:

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

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

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

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

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

13 * **Sec. 71.** AS 37.14.210(4) is amended to read:

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

17 * **Sec. 72.** AS 37.14.520(4) is amended to read:

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

21 * **Sec. 73.** AS 37.14.610 is amended to read:

22 **Sec. 37.14.610. Duties of the commissioner.** The commissioner of revenue
23 has the power and duty to

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

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

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

1 (4) maintain accounting records of the trust in accordance with
2 investment accounting principles;

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

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

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

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

11 * **Sec. 74.** AS 39.30.090(a) is amended to read:

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

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

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

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

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

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

31 (C) the commissioner of administration approves the

1 participation in writing.

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

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

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

30 (7) A person receiving benefits under AS 14.25.110, AS 22.25,
31 AS 39.35, or former AS 39.37 may continue the life insurance coverage that was in

1 effect under this section at the time of termination of employment with the state or
2 participating governmental unit.

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

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

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

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

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

25 * **Sec. 75.** AS 39.30.090 is amended by adding a new subsection to read:

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

1 providing case management services for certain users of pharmaceuticals; capping the
 2 number of prescriptions filled each month; and restricting the number of refills that
 3 users may have at one time.

4 * **Sec. 76.** AS 39.30.095(d) is amended to read:

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

11 * **Sec. 77.** AS 39.30.150(b) is amended to read:

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

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

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

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

28 * **Sec. 78.** AS 39.30 is amended by adding a new section to read:

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

31 * **Sec. 79.** AS 39.30 is amended by adding a new section to read:

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

4 * **Sec. 80.** AS 39.30.155 is repealed and reenacted to read:

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

8 * **Sec. 81.** AS 39.30.160(a) is amended to read:

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

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

18 * **Sec. 82.** AS 39.30.160(b) is amended to read:

19 (b) An employee may select the types and amounts of supplemental benefits to
20 be purchased with the money deposited in the employee's special individual employee
21 benefit accounts under AS 39.30.150. The selection **for employees described in**
22 **AS 39.30.150(a)** must be from the benefit options listed in (a) of this section.

23 * **Sec. 83.** AS 39.30.160(e) is amended to read:

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

27 * **Sec. 84.** AS 39.30.175(a) is amended to read:

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

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

2 * **Sec. 85.** AS 39.30.180 is amended by adding a new paragraph to read:

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

5 * **Sec. 86.** AS 39.30 is amended by adding new sections to read:

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

8 **Sec. 39.30.300. State of Alaska Teachers' and Public Employees' Retiree**
9 **Health Reimbursement Arrangement Plan established.** The State of Alaska
10 Teachers' and Public Employees' Retiree Health Reimbursement Arrangement Plan is
11 established for teachers who first become members of the defined contribution plan of
12 the teachers' retirement system under AS 14.25.310 - 14.25.590 on or after July 1,
13 2006, and employees of the state, political subdivisions of the state, and public
14 organizations of the state who first become members of the defined contribution plan
15 of the public employees' retirement system under AS 39.35.700 - 39.35.990 on or after
16 July 1, 2006.

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

20 (b) The plan becomes effective July 1, 2006, at which time contributions by
21 employers begin.

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

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

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

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

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

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

15 **Sec. 39.30.380. Termination of employment.** A person who terminates
 16 employment before meeting the eligibility requirements of AS 14.25.470 or
 17 AS 39.35.870 loses any right to the contributions made on behalf of the person to the
 18 teachers' and public employees' retiree health reimbursement arrangement trust fund.
 19 If a person returns to employment with a participating employer by December 31 of
 20 the year in which the person reaches 65 years of age, the person's account balance
 21 shall be restored in the amount recorded on the date of termination from the trust,
 22 adjusted for inflation at the rate of the Consumer Price Index for Anchorage, Alaska.
 23 The earlier period of employment with a participating employer shall be credited
 24 toward eligibility for medical benefits.

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

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

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

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

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

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

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

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

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

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

31 (b) Notwithstanding AS 09.38.065, contributions and other amounts held in

1 the plan and benefits payable under this plan are exempt from garnishment, execution,
2 or levy.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

17 * **Sec. 87.** AS 39.35 is amended by adding new sections to read:

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

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

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

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

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

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

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

1 intervals that the administrator considers appropriate;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

29 **Sec. 39.35.095. Applicability of AS 39.35.095 - 39.35.680.** The following
30 provisions of this chapter apply only to members first hired before July 1, 2006:
31 AS 39.35.095 - 39.35.680.

1 * **Sec. 89.** AS 39.35.100 is amended to read:

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

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

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

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

30 (3) A separate account for each employer shall be maintained. The
31 account shall be credited with contributions of the employer. This account shall be

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

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

15 * **Sec. 90.** AS 39.35 is amended by adding a new section to article 1 to read:

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

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

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

29 * **Sec. 91.** AS 39.35.120 is amended to read:

30 **Sec. 39.35.120. Commencement of participation.** (a) An employee of the
 31 state shall be included in this system upon commencement of employment with the

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

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

9 (1) an elected official;

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

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

14 * **Sec. 92.** AS 39.35.131 is amended to read:

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

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

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

6 * **Sec. 93.** AS 39.35.158 is amended to read:

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

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

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

19 * **Sec. 94.** AS 39.35.165(a) is amended to read:

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

27 * **Sec. 95.** AS 39.35.165(b) is amended to read:

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

31 (1) the amounts paid under a salary reduction program are in lieu of

1 contributions by the employee making the election; the electing employee's salary or
 2 other compensation shall be reduced by the amount paid by the employer under this
 3 subsection;

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

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

22 * **Sec. 96.** AS 39.35.165(f) is amended to read:

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

31 (1) subject to the limitations prescribed in 26 U.S.C. 401(a)(3) and 26

1 U.S.C. 402(c), accepting eligible rollover distributions directly from one or more
 2 retirement programs of another employer that are qualified under 26 U.S.C. 401(a) or
 3 accepting rollovers directly from a member;

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

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

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

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

19 * **Sec. 97.** AS 39.35.165(g) is amended to read:

20 (g) Payments made under this section shall be applied to reduce the
 21 employee's outstanding indebtedness described in AS 39.35.310, 39.35.330,
 22 39.35.340, 39.35.342, 39.35.345, [39.35.350,] 39.35.360, 39.35.370, 39.35.375, or
 23 39.35.381 at the time that the contributions are received by the plan.

24 * **Sec. 98.** AS 39.35.165(i) is amended to read:

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

30 * **Sec. 99.** AS 39.35.200 is amended by adding a new subsection to read:

31 (d) An employee who receives a refund of contributions in accordance with

1 this section forfeits corresponding credited service under AS 39.35.095 - 39.35.680.

2 * **Sec. 100.** AS 39.35.270 is amended to read:

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

9 * **Sec. 101.** AS 39.35.270 is amended by adding a new subsection to read:

10 (b) The employer contribution rate may not be less than the rate required, after
11 subtracting the member contribution rate, to fully fund the actuarially calculated
12 benefits expected to be earned by active members during a fiscal year.

13 * **Sec. 102.** AS 39.35.340(f) is amended to read:

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

17 * **Sec. 103.** AS 39.35.340(h) is amended to read:

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

20 * **Sec. 104.** AS 39.35.360(i) is amended to read:

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

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

12 * **Sec. 105.** AS 39.35.360(l) is amended to read:

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

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

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

25 * **Sec. 106.** AS 39.35.370(g) is amended to read:

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

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

8 * **Sec. 107.** AS 39.35.375(a) is amended to read:

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

22 * **Sec. 108.** AS 39.35.375(b) is amended to read:

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

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

9 * **Sec. 109.** AS 39.35.375(c) is amended to read:

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

18 * **Sec. 110.** AS 39.35.375(d) is amended to read:

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

28 * **Sec. 111.** AS 39.35.375(f) is amended to read:

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

1 AS 14.25 for which the member received a refund of contributions.

2 * **Sec. 112.** AS 39.35.375(f) is amended to read:

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

7 * **Sec. 113.** AS 39.35.375(g) is amended to read:

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

17 * **Sec. 114.** AS 39.35.375 is amended by adding a new subsection to read:

18 (h) In this section,

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

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

24 * **Sec. 115.** AS 39.35.381(a) is amended to read:

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

1 * **Sec. 116.** AS 39.35.410(f) is amended to read:

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

10 * **Sec. 117.** AS 39.35.475(a), as that subsection read following amendment by sec. 34, ch.
11 146, SLA 1980, until amended by sec. 41, ch. 82, SLA 1986, is amended to read:

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

20 * **Sec. 118.** AS 39.35.485(a) is amended to read:

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

29 * **Sec. 119.** AS 39.35.520(c) is amended to read:

30 (c) **At least quarterly,** [AT EACH REGULARLY SCHEDULED MEETING
31 OF THE PUBLIC EMPLOYEES' RETIREMENT BOARD,] the administrator shall

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

11 * **Sec. 120.** AS 39.35.522(a) is amended to read:

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

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

18 (2) [REPEALED]

19 (3) REPEALED

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

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

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

28 * **Sec. 121.** AS 39.35.535(a) is repealed and reenacted to read:

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

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

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

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

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

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

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

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

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

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

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

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

21 * **Sec. 122.** AS 39.35.680(2) is amended to read:

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

29 * **Sec. 123.** AS 39.35.680(6) is amended to read:

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

1 * **Sec. 124.** AS 39.35.680(21) is amended to read:

2 (21) "member" or "employee"

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

5 (B) includes

6 (i) an active member;

7 (ii) an inactive member;

8 (iii) a vested member;

9 (iv) a deferred vested member;

10 (v) a nonvested member;

11 (vi) a disabled member;

12 (vii) a retired member;

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

14 (C) does not include

15 (i) former members;

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

17 (iii) casual or emergency workers or nonpermanent
18 employees as defined in AS 39.25.200;

19 (iv) persons covered by the Alaska Teachers'
20 Retirement System except as provided under AS 39.35.131 and
21 39.35.381, or persons covered by a [THE OPTIONAL] university
22 retirement program;

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

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

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

31 (viii) members of the elected public officers' retirement

1 system (former AS 39.37); and

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

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

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

8 (ii) no collective bargaining agreement has the effect of
9 obligating contributions made by the state under AS 39.30.150 in the
10 event the state resumes participation in the federal social security
11 system;

12 * **Sec. 125.** AS 39.35.680(34) is amended to read:

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

16 (A) creates or recognizes the existence of an alternate payee's
17 right to, or assigns to an alternate payee the right to, receive all or a portion of
18 employee contribution account or the benefits payable with respect to an
19 employee;

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

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

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

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

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

31 (G) does not require an increase of benefits in excess of the

1 amount provided by AS 39.35.095 - 39.35.680 [THIS CHAPTER], determined
2 on the basis of actuarial value; 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 * **Sec. 126.** AS 39.35.680 is amended by adding new paragraphs to read:

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

8 (42) "plan" means the retirement plan established in AS 39.35.095 -
9 39.35.680.

10 * **Sec. 127.** AS 39.35 is amended by adding new sections to read:

11 **Article 9. Employees First Hired on or after July 1, 2006.**

12 **Sec. 39.35.700. Applicability of AS 39.35.700 - 39.35.990.** The provisions of
13 AS 39.35.700 - 39.35.990 apply only to members first hired on or after July 1, 2006,
14 or to members who transfer into the defined contribution plan under AS 39.35.940.

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

18 (b) The defined contribution retirement plan is a plan in which savings are
19 accumulated in an individual retirement account for the exclusive benefit of the
20 member or beneficiaries. The plan is established effective July 1, 2006, at which time
21 contributions by employers and members begin.

22 (c) The retirement plan established by AS 39.35.700 - 39.35.990 is intended to
23 qualify under 26 U.S.C. 401(a) and 414(d) (Internal Revenue Code) as a qualified
24 retirement plan established and maintained by the state for its employees, for the
25 employees of political subdivisions, public corporations, and public organizations of
26 the state, and for the employees of other employers whose participation is authorized
27 by AS 39.35.700 - 39.35.990 and who participate in the plan set out in AS 39.35.700 -
28 39.35.990.

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

1 **Sec. 39.35.720. Membership.** An employee who becomes a member on or
2 after July 1, 2006, shall participate in the plan set out in AS 39.35.700 - 39.35.990.

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

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

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

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

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

26 (b) An employer shall also contribute an amount equal to a percentage, as
27 certified by the board, of each member's compensation from July 1 to the following
28 June 30 to pay for retiree major medical insurance. This contribution shall be paid
29 into the group health and life benefits fund established by the commissioner of
30 administration under AS 39.30.095 and shall be accounted for in accordance with
31 regulations established by the commissioner.

1 (c) Notwithstanding (b) of this section, the employer contribution for retiree
 2 major medical insurance for fiscal year 2006 shall be 1.75 percent of each member's
 3 compensation from July 1 to the following June 30.

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

6 (e) An employer shall make annual contributions to the plan in an amount
 7 determined by the board to be actuarially required to fully fund the cost of providing
 8 occupational disability and occupational death benefits under AS 39.35.890 and
 9 39.35.892. The contribution required under this subsection for peace officers and fire
 10 fighters and the contribution required under this subsection for other employees shall
 11 be separately calculated based on the actuarially calculated costs for each group of
 12 employees.

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

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

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

23 (d) In this section,

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

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

29 (3) "eligible retirement plan" means

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

- 1 (B) an annuity plan described in 26 U.S.C. 403(a);
- 2 (C) a qualified trust described in 26 U.S.C. 401(a);
- 3 (D) an annuity plan described in 26 U.S.C. 403(b); or
- 4 (E) a governmental plan described in 26 U.S.C. 457(b);

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

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

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

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

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

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

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

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

24 **Sec. 39.35.780. Limitations on contributions.** Notwithstanding any other
25 provisions of this plan, the annual additions to each member's individual account
26 under this plan and under all defined contribution plans of the employer required to be
27 aggregated with the contributions from this plan under the provisions of 26 U.S.C. 415
28 may not exceed, for any limitation year, the amount permitted under 26 U.S.C. 415 at
29 any time. If the amount of a member's defined contribution plan contributions exceeds
30 the limitation of 26 U.S.C. 415(c) for any limitation year, the administrator shall take
31 any necessary remedial action to correct an excess contribution. The provisions of 26

1 U.S.C. 415, and the regulations adopted under that statute, as applied to qualified
 2 defined contribution plans of governmental employees are incorporated as part of the
 3 terms and conditions of the plan.

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

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

10 (1) 25 percent with two years of service;

11 (2) 50 percent with three years of service; and

12 (3) 75 percent with four years of service.

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

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

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

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

30 (e) The employer, administrator, state, board, or a person or entity who is
 31 otherwise a fiduciary is not liable by reason for any participant's investment loss that

1 results from the participant's directing the investment of plan assets allocated to the
2 participant's account.

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

7 **Sec. 39.35.810. Distribution election at termination.** (a) A member is
8 eligible to elect distribution of the member's account in accordance with this section
9 60 days after termination of employment.

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

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

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

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

25 (4) prevention of the eviction of the member from the member's
26 principal residence or foreclosure on the mortgage of the member's principal
27 residence; or

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

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

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

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

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

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

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

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

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

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

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

31 (b) Upon the death of an annuitant whose payments have commenced, an

1 annuitant's beneficiary shall receive further payments only to the extent provided in
 2 accordance with the form of payment that was being made to the annuitant. The
 3 remaining portion of the interest shall continue to be distributed at least as rapidly as
 4 under the method of distribution being used before the annuitant's death.

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

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

15 **Sec. 39.35.830. Manner of electing distributions.** (a) Any election or any
 16 alteration or revocation of a prior election by a participant for any purpose under this
 17 plan shall be on forms or made in a manner prescribed for that purpose by the plan
 18 administrator. To be effective, the forms required or the required action for any
 19 purpose under this plan must be completed and received in accordance with
 20 regulations adopted by the commissioner of administration.

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

23 (1) the form of payment election;

24 (2) an election to commence benefits; or

25 (3) the joint annuitant designation.

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

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

1 (1) a member meets the requirements of AS 39.35.810 and has made a
2 complete application for payment under AS 39.35.830;

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

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

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

11 (5) notwithstanding (a) of this section, a participant whose account has
12 a balance of \$1,000 or less meets the requirements of AS 39.35.810, at which time the
13 participant must take payment of the participant's account.

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

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

20 (d) If a member has made a distribution election and dies before the
21 distribution of the member's interest begins, distribution of the member's entire interest
22 shall be completed by December 31 of the calendar year containing the fifth
23 anniversary of the member's death. However, if any portion of the member's interest
24 is payable to a designated beneficiary, distributions may be made over the life of the
25 designated beneficiary or over a period certain not greater than the life expectancy of
26 the designated beneficiary, commencing on or before December 31 of the calendar
27 year immediately following the calendar year in which the member died, and, if the
28 designated beneficiary is the member's surviving spouse, the date distributions are
29 required to begin may not be earlier than the later of December 31 of the calendar year
30 (1) immediately following the calendar year in which the member died, or (2) in which
31 the member would have attained 70 1/2 years of age, whichever is earlier. If the

1 surviving spouse dies after the member but before payments to the spouse have begun,
2 the provisions of this subsection apply as if the surviving spouse were the member.
3 An amount paid to a child of the member shall be treated as if it were paid to the
4 surviving spouse if the amount becomes payable to the surviving spouse when the
5 child reaches the age of majority.

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

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

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

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

29 (i) In this section,

30 (1) "designated beneficiary" means the individual who is designated as
31 the beneficiary under the plan in accordance with 26 U.S.C. 401(a)(9) and regulations

1 adopted under that statute;

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

5 **Sec. 39.35.850. Designation of beneficiary.** (a) Each participant shall have
6 the right to designate a beneficiary and shall have the right, at any time, to revoke the
7 designation or to substitute another beneficiary, subject to the following limitation: if a
8 married member elects a nonspouse beneficiary, the value of the benefit payable to the
9 beneficiary may not exceed 50 percent of the member's portion of the account balance,
10 and the member's spouse shall automatically be considered the beneficiary for the
11 remaining 50 percent of the account balance, unless the spouse consents to the
12 beneficiary designation in a writing that is notarized or witnessed by the administrator.
13 If the spouse consents in this manner, a married member may designate a nonspouse
14 beneficiary for the entire benefit or any portion the benefit as part of an available form
15 of payment contained in this plan,

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

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

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

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

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

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

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

8 (4) to the estate.

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

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

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

29 **Sec. 39.35.870. Retirement.** (a) In order to obtain medical benefits under
30 AS 39.35.880, an active member must retire directly from the plan. A member is
31 eligible to retire from the plan if the member has been an active member for at least 12

1 months before application for retirement and

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

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

7 (b) The normal retirement age is the age set for Medicare eligibility at the time
8 the member retires.

9 (c) A member's surviving spouse is eligible to elect medical benefits under
10 AS 39.35.880 if the member had retired, or was eligible for appointment to retirement
11 at the time of the member's death.

12 (d) Members shall apply for appointment to retirement on the forms and in the
13 manner prescribed by the administrator.

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

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

19 (g) An eligible person must make the irrevocable election to participate or not
20 participate in the retiree major medical insurance plan by reaching 70 1/2 years of age,
21 or upon termination of the member's employment, whichever is later.

22 **Sec. 39.35.880. Medical benefits.** (a) The medical benefits available to
23 eligible persons are access to the retiree major medical insurance plan and to the
24 health reimbursement arrangement under AS 39.30.300. Access to the retiree major
25 medical insurance plan means that an eligible person may not be denied insurance
26 coverage except for failure to pay the required premium.

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

30 (c) Retiree major medical insurance plan coverage elected by a surviving
31 spouse of an eligible member under this section covers the surviving spouse and the

1 dependent children of the eligible member who are dependent on the surviving spouse.

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

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

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

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

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

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

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

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

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

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

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

30 (h) The eligibility for retiree major medical insurance coverage for an
31 alternate payee under a qualified domestic relations order shall be determined based

1 on the eligibility of the member to elect coverage. The alternate payee shall pay the
2 full monthly premium for retiree major medical insurance coverage.

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

4 (1) be informed by the administrator in writing

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

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

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

13 (j) The monthly group premiums for retiree major medical insurance coverage
14 are established by the administrator in accordance with AS 39.30.095. Nothing in
15 AS 39.35.700 - 39.35.990 guarantees a person who elects coverage under (a) of this
16 section a monthly group premium rate for retiree major medical insurance coverage
17 other than the premium in effect for the month in which the premium is due for
18 coverage for that month.

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

21 **Sec. 39.35.890. Occupational disability benefits and reemployment of**
22 **disabled employees.** (a) An employee is eligible for an occupational disability
23 benefit if employment is terminated because of a total and apparently permanent
24 occupational disability before the employee's normal retirement date.

25 (b) The occupational disability benefits accrue beginning the first day of the
26 month following termination of employment as a result of the disability and are
27 payable the last day of the month. If a final determination granting the benefit is not
28 made in time to pay the benefit when due, a retroactive payment shall be made to
29 cover the period of deferment. The last payment shall be for the first month in which
30 the disabled employee

31 (1) dies;

- 1 (2) recovers from the disability;
 2 (3) fails to meet the requirements under (f) or (j) of this section; or
 3 (4) reaches normal retirement age.

4 (c) If the disabled employee becomes ineligible to receive occupational
 5 disability benefits before the normal retirement date, the disabled employee shall then
 6 be entitled to receive retirement benefits if the employee would have been eligible for
 7 the benefit had employment continued during the period of disability. The period of
 8 disability constitutes membership service in regard to determining eligibility for
 9 retirement.

10 (d) The monthly amount of an occupational disability benefit is 40 percent of
 11 the disabled employee's gross monthly compensation at the time of termination due to
 12 disability. While an employee is receiving disability benefits, based on the disabled
 13 employee's gross monthly compensation at the time of termination due to disability,
 14 the employer shall make contributions

15 (1) to the employee's individual account under AS 39.35.730 on behalf
 16 of the employee, without deduction from the employee's disability payments; and

17 (2) on behalf of the employee under AS 39.35.750.

18 (e) An employee is not entitled to an occupational disability benefit unless the
 19 employee files an application for an occupational disability benefit with the
 20 administrator within 90 days after the date of terminating employment. If the
 21 employee is unable to meet a filing requirement of this subsection, the filing
 22 requirement may be waived by the administrator if there are extraordinary
 23 circumstances that resulted in the employee's inability to meet the filing requirement.

24 (f) A disabled employee receiving an occupational disability benefit shall
 25 undergo a medical examination as often as the administrator considers advisable, but
 26 not more frequently than once each year. The administrator shall determine the place
 27 of the examination and engage the physician or physicians. If, in the judgment of the
 28 administrator, the examination indicates that the retired employee is no longer
 29 incapacitated because of a total and apparently permanent occupational disability, the
 30 administrator may not issue further disability benefits to the employee.

31 (g) A disabled employee's occupational disability benefit terminates when the

1 disabled employee first attains eligibility for normal retirement. At that time, the
 2 employee's retirement benefit shall be determined under the provisions of
 3 AS 39.35.840 and 39.35.870. An employee receiving disability benefits up until
 4 eligibility for retirement shall be considered to have retired directly from the plan.

5 (h) Notwithstanding (g) of this section, at the time a peace officer or fire
 6 fighter receiving occupational disability benefits under this section first attains
 7 eligibility for normal retirement, the employee shall irrevocably elect to receive
 8 retirement benefits in the amount calculated as the

9 (1) monthly occupational disability benefit calculated under (d) of this
 10 section; or

11 (2) employee's retirement benefit calculated under the provisions of
 12 AS 39.35.370(c).

13 (i) Notwithstanding (b)(3) of this section, a peace officer or fire fighter who
 14 retires under (h) of this section is not subject to the requirements of (f) or (j) of this
 15 section during retirement.

16 (j) An employee appointed to disability benefits shall apply to the division of
 17 vocational rehabilitation within 30 days after the date disability benefits commence.
 18 The employee shall be enrolled in a rehabilitation program if the employee meets the
 19 eligibility requirements of the division of vocational rehabilitation. Unless the
 20 employee demonstrates cause, benefits shall terminate at the end of the first month in
 21 which a disabled employee

22 (1) fails to report to the division of vocational rehabilitation;

23 (2) is certified by the division of vocational rehabilitation as failing to
 24 cooperate in a vocational rehabilitation program;

25 (3) fails to interview for a job; or

26 (4) fails to accept a position offered.

27 (k) Upon the death of a disabled employee who is receiving or is entitled to
 28 receive an occupational disability benefit, the administrator shall pay the surviving
 29 spouse a surviving spouse's pension, equal to 40 percent of the employee's monthly
 30 compensation at the termination of employment because of occupational disability. If
 31 there is no surviving spouse, the administrator shall pay the survivor's pension in equal

1 parts to the dependent children of the employee. The first payment of the surviving
 2 spouse's pension or of a dependent child's pension shall accrue from the first day of
 3 the month following the employee's death and is payable the last day of the month.
 4 The last payment shall be made for the last month in which there is an eligible
 5 surviving spouse or child. On the date the normal retirement of the employee would
 6 have occurred if the employee had lived, the retirement benefit shall be determined
 7 under the provisions of AS 39.35.840 and 39.35.870. An employee who died while
 8 receiving disability benefits shall be considered to have retired directly from the plan
 9 on the date the normal retirement of the employee would have occurred if the
 10 employee had lived.

11 (l) In this section, "occupational disability" has the meaning given in
 12 AS 39.35.680.

13 **Sec. 39.35.892. Occupational death benefit.** (a) If (1) the death of an
 14 employee occurs before the employee's retirement and before the employee's normal
 15 retirement date, (2) the proximate cause of death is a bodily injury sustained or a
 16 hazard undergone while in the performance and within the scope of the employee's
 17 duties, and (3) the injury or hazard is not the proximate result of wilful negligence of
 18 the employee, a monthly survivor's pension shall be paid to the surviving spouse. If
 19 there is no surviving spouse or if the spouse later dies, the monthly survivor's pension
 20 shall be paid in equal parts to the dependent children of the employee.

21 (b) The first payment of the surviving spouse's pension or of a dependent
 22 child's pension shall be made for the month following the month in which the
 23 employee dies, and payment shall cease to be made beginning with the month in
 24 which the employee would have first qualified for retirement.

25 (c) The monthly survivor's pension in (b) of this section for survivors of
 26 employees who were not peace officers or fire fighters is 40 percent of the employee's
 27 monthly compensation in the month in which the employee dies. The monthly
 28 survivor's pension in (b) of this section for survivors of employees who were peace
 29 officers or fire fighters is 50 percent of the monthly compensation in the month in
 30 which the employee dies. While the monthly survivor's pension is being paid, the
 31 employer shall make contributions on behalf of the employee's beneficiaries based on

1 the deceased employee's gross monthly compensation at the time of occupational
2 death

3 (1) to the employee's individual account under AS 39.35.730, without
4 deduction from the survivor's pension; and

5 (2) to the appropriate accounts and funds under AS 39.35.750.

6 (d) If an employee's death is caused by an act of assault, assassination, or
7 terrorism directly related to the person's status as an employee, whether the act occurs
8 on or off the employee's job site, the death shall be considered to have occurred in the
9 performance of and within the scope of the employee's duties for purposes of (a)(2) of
10 this section. If the expressed or apparent motive and intent of the perpetrator of the
11 harm inflicted upon the employee was due to the performance of the employee's job
12 duties or employment, the death shall be considered to be directly related to the
13 employee's status as an employee. An employee's job duties are those performed
14 within the course and scope of the person's employment with an employer.

15 (e) On the date the normal retirement of the employee would have occurred if
16 the employee had lived, the retirement benefit shall be determined under the
17 provisions of AS 39.35.840 and 39.35.870. An employee who died and whose
18 survivors receive occupational death benefits under this section shall be considered to
19 have retired directly from the plan on the date the normal retirement of the employee
20 would have occurred if the employee had lived.

21 **Sec. 39.35.895. Amendment and termination of plan.** (a) The state has the
22 right to amend the plan at any time and from time to time, in whole or in part,
23 including the right to make retroactive amendments referred to in 26 U.S.C. 401(b).

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

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

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

4 **Sec. 39.35.900. Exclusive benefit.** (a) The corpus or income of the assets
 5 held in trust as required by the plan may not be diverted or used for other than the
 6 exclusive benefit of the participants.

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

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

13 **Sec. 39.35.910. Nonguarantee of returns, rates, or benefit amounts.** The
 14 plan created by AS 39.35.700 - 39.35.990 is a defined contribution plan, not a defined
 15 benefit plan. The amount of money in the account of a participant depends on the
 16 amount of contributions and the rate of return from investments of the account that
 17 varies over time. If benefits are paid in the form of an annuity, the benefit amount
 18 payable is dependent on the amount of money in the account and the interest rates
 19 applied and service fees charged by the annuity payor at the time benefits are first
 20 paid. Nothing in this plan guarantees a participant

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

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

26 **Sec. 39.35.920. Nonguarantee of employment.** The provisions of
 27 AS 39.35.700 - 39.35.990 are not a contract of employment between an employer and
 28 an employee, nor do they confer a right of an employee to be continued in the
 29 employment of an employer, nor are they a limitation of the right of an employer to
 30 discharge an employee with or without cause.

31 **Sec. 39.35.930. Fraud.** (a) A person who knowingly makes a false statement

1 or falsifies or permits to be falsified a record of this plan in an attempt to defraud the
2 plan is guilty of a class A misdemeanor.

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

4 **Sec. 39.35.940. Transfer into defined contribution plan by nonvested**
5 **members of defined benefit plan.** (a) Subject to (i) of this section, an active
6 member of the defined benefit retirement plan of the public employees' retirement
7 system is eligible to participate in the defined contribution retirement plan established
8 under AS 39.35.700 - 39.35.990, if that member has not vested. Participation in the
9 defined contribution retirement plan is in lieu of participation in the defined benefit
10 retirement plan established under AS 39.35.095 - 39.35.680.

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

13 (c) Each eligible member who elects to participate in the defined contribution
14 retirement plan shall have transferred to a new account the present value of the
15 member contribution account balance held in trust for the member under the defined
16 benefit retirement plan of the public employees' retirement system. A matching
17 employer contribution shall be made on behalf of that employee to the new account.

18 (d) Upon a transfer, all membership service previously earned under the
19 defined benefit retirement plan shall be nullified for purposes of entitlement to a future
20 benefit under the defined benefit retirement plan but shall be credited for purposes of
21 eligibility to elect medical benefits under AS 39.35.870. Membership service allowed
22 for credit toward medical benefits does not include any service credit purchased for
23 employment by an employer who is not a participating employer in this chapter.

24 (e) An eligible member whose accounts are subject to a qualified domestic
25 relations order may not make an election to participate in the defined contribution
26 retirement plan under this subsection unless the qualified domestic relations order is
27 amended or vacated and court-certified copies of the order are received by the
28 administrator.

29 (f) As directed by the participant, the board shall transfer or cause to be
30 transferred the appropriate amounts to the designated account. The board shall
31 establish transfer procedures by regulation, but the actual transfer may not be later

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

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

16 (h) The election to participate in the defined contribution retirement plan must
17 be made in writing on forms and in the manner prescribed by the administrator.
18 Before accepting an election to participate in the defined contribution retirement plan,
19 the administrator must provide the employee planning on making an election to
20 participate in the defined contribution retirement plan with information, including
21 calculations to illustrate the effect of moving the employee's retirement plan from the
22 defined benefit retirement plan to the defined contribution retirement plan as well as
23 other information to clearly inform the employee of the potential consequences of the
24 employee's election. An election made under this subsection to participate in the
25 defined contribution retirement plan is irrevocable. Upon making the election, the
26 participant shall be enrolled as a member of the defined contribution retirement plan,
27 the member's participation in the plan shall be governed by the provisions of
28 AS 39.35.700 - 39.35.990, and the member's participation in the defined benefit
29 retirement plan under AS 39.35.115 shall terminate. The participant's enrollment in
30 the defined contribution retirement plan shall be effective the first day of the month
31 after the administrator receives the completed enrollment forms. An election made by

1 an eligible member who is married is not effective unless the election is signed by the
2 individual's spouse.

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

10 (j) In this section,

11 (1) "defined benefit retirement plan" means the retirement plan
12 established in AS 39.35.095 - 39.35.680;

13 (2) "defined contribution retirement plan" means the retirement plan
14 established in AS 39.35.700 - 39.35.990.

15 **Sec. 39.35.950. Request by political subdivision to participate and**
16 **adoption of resolution.** A municipality or other political subdivision of the state may
17 request to become an employer in this plan. The request shall be made after adoption
18 of a resolution by the legislative body of the political subdivision and after approval of
19 the resolution by the person required by law to approve the resolution. A certified
20 copy of the resolution shall be filed with the administrator. If the administrator
21 approves the request for participation, the political subdivision is an employer of the
22 plan.

23 **Sec. 39.35.955. Request by public organization to participate and**
24 **adoption of resolution.** A public organization may request to become an employer in
25 this plan. The request shall be made after adoption of a resolution by the governing
26 body of the public organization. A certified copy of the resolution shall be filed with
27 the administrator. If the administrator approves the request for participation, the
28 public organization is an employer of the plan.

29 **Sec. 39.35.960. Membership in teachers' and public employees'**
30 **retirement systems.** A person who is employed at least half-time in the public
31 employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990) during the

1 same period that the person is employed at least half-time in a position in the teachers'
 2 defined contribution retirement plan (AS 14.25.310 - 14.25.590) shall receive credited
 3 service under each plan for half-time employment. However, the amount of credited
 4 service a person receives under the public employees' defined contribution retirement
 5 plan during a school year may not exceed the amount necessary, when added to the
 6 amount of credited service earned during the school year under the teachers' defined
 7 contribution retirement plan, to equal one year of credited service.

8 **Sec. 39.35.965. Army and air national guard employees.** A regular full-
 9 time civilian employee of the Alaska Army National Guard and Air National Guard
 10 whose entire salary is paid from allotted federal funds is included in the public
 11 employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990) if the
 12 federal or state government pays the employer's contributions. If the amount that the
 13 federal government may legally contribute to the plan is lower than the required
 14 employer's contribution, the state government shall contribute the difference. If the
 15 employer's contributions are not paid when due, service credit for the period of
 16 delinquency may not be granted until the contributions are paid.

17 **Sec. 39.35.970. North Pacific Fishery Management Council employees.**
 18 An employee of the North Pacific Fishery Management Council appointed under 16
 19 U.S.C. 1852(f)(1) (Sec. 302(f)(1) of P.L. 94-265) whose compensation is paid from
 20 allotted federal funds is included in the public employees' defined contribution
 21 retirement plan (AS 39.35.700 - 39.35.990) if the council pays the employer's
 22 contributions. If the employer's contributions are not paid when due, credited service
 23 for the period of delinquency may not be granted until the contributions are paid.

24 **Sec. 39.35.990. Definitions.** In AS 39.35.700 - 39.35.990, unless the context
 25 requires otherwise,

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

28 (2) "alternate payee" means the person for whom an amount has been
 29 separated into an account under a qualified domestic relations order;

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

1 (4) "beneficiary" means the person or persons entitled under the
 2 provisions of this plan to receive benefits after the death of a member or alternate
 3 payee;

4 (5) "board" has the meaning given in AS 39.35.680;

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

6 (7) "compensation"

7 (A) means

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

12 (ii) the member contribution to the public employees'
 13 retirement system under AS 39.35.730, employee deferrals under
 14 AS 39.45.010, the wage reduction amount contributed to the Alaska
 15 Supplemental Annuity Plan under AS 39.30.150(a), and the wage
 16 reduction amount contributed to the Alaska Supplemental Benefit Plan
 17 under AS 39.30.150(c), as those statutes may be amended from time to
 18 time;

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

30 (C) notwithstanding (B) of this paragraph, includes any amount
 31 that is contributed by the employer under a salary reduction agreement and that

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

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

9 (9) "distribution commencement date" has the meaning given in
 10 AS 39.35.840(a);

11 (10) "employer" means

12 (A) the State of Alaska; or

13 (B) a political subdivision or public organization of the state
 14 that participates in the plan;

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

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

21 (13) "Internal Revenue Code" means the Internal Revenue Code of
 22 1986, as amended;

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

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

30 (16) "member" means an employee of an employer or former
 31 employee of an employer who retains a right to benefits under the plan, but does not

1 include full-time or part-time instructors of the Department of Labor and Workforce
 2 Development who have a teaching certificate, regardless of whether the position as
 3 instructor requires a teaching certificate as a condition of employment and who have
 4 earlier credited service under AS 14.25.310 - 14.25.590;

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

7 (18) "normal retirement age" means the age set for Medicare eligibility
 8 at the time the member retires;

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

13 (20) "peace officer" or "fire fighter" has the meaning given in
 14 AS 39.35.680;

15 (21) "plan" means the retirement plan established in AS 39.35.700 -
 16 39.35.990;

17 (22) "prudent investment standard" means the degree of care, skill,
 18 prudence, and diligence under the circumstances then prevailing that a prudent person
 19 acting in a like capacity and familiar with such matters would use in the conduct of an
 20 enterprise of a like character and with like aims;

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

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

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

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

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

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

4 (F) does not require any type or form of benefit or any option
5 not otherwise provided by AS 39.35.700 - 39.35.990;

6 (G) does not require an increase of benefits in excess of the
7 amount provided by AS 39.35.700 - 39.35.990; and

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

11 (24) "retiree" means an eligible person who has elected to receive
12 medical benefits under AS 39.35.880;

13 (25) "surviving spouse" means the spouse of an employee who has
14 been married to the employee for at least one year at the time of the employee's death;

15 (26) "system" has the meaning given in AS 39.35.680;

16 (27) "year of service" means the equivalent of 52 weeks of permanent
17 full-time employment, which may consist of a combination of permanent full-time or
18 permanent part-time membership service; in this paragraph, "permanent full-time" and
19 "permanent part-time" have the meanings given in AS 39.35.680.

20 * **Sec. 128.** AS 39.45.030(a) is amended to read:

21 (a) The Alaska **Retirement Management** [STATE PENSION
22 INVESTMENT] Board is authorized, subject to contracts with individual employees,
23 to invest the funds held under a deferred compensation program. The board has the
24 same powers and duties concerning the management and investment in regard to those
25 funds as are provided under **AS 37.10.220** [AS 14.25.180].

26 * **Sec. 129.** AS 39.45.030(g) is amended to read:

27 (g) In this section, "board" means the Alaska **Retirement Management**
28 [STATE PENSION INVESTMENT] Board.

29 * **Sec. 130.** AS 39.45.060 is amended by adding a new paragraph to read:

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

1 * **Sec. 131.** AS 39.50.200(a)(9) is amended to read:

2 (9) "public official" means

3 (A) a judicial officer;

4 (B) the governor or the lieutenant governor;

5 (C) a person hired or appointed in a department in the
6 executive branch as

7 (i) the head or deputy head of the department;

8 (ii) the director or deputy director of a division;

9 (iii) a special assistant to the head of the department;

10 (iv) a person serving as the legislative liaison for the
11 department;

12 (D) an assistant to the governor or the lieutenant governor;

13 (E) the chair or a member of a state commission or board
14 [OTHER THAN PHYSICIAN MEMBERS OR ALTERNATES OF THE
15 ALASKA TEACHERS' RETIREMENT BOARD APPOINTED UNDER
16 AS 14.25.035(a)(2) OR OF THE PUBLIC EMPLOYEES' RETIREMENT
17 BOARD APPOINTED UNDER AS 39.35.030(d);]

18 (F) state investment officers and the state comptroller in the
19 Department of Revenue;

20 (G) [REPEALED

21 (H)] the chief procurement officer appointed under
22 AS 36.30.010;

23 (H) [(I)] the executive director of the Alaska Workforce
24 Investment Board; and

25 (I) [(J)] each appointed or elected municipal officer;

26 * **Sec. 132.** AS 39.50.200(b)(54) is amended to read:

27 (54) Alaska Retirement Management [STATE PENSION
28 INVESTMENT] Board (AS 37.10.210);

29 * **Sec. 133.** AS 44.25.020(2) is amended to read:

30 (2) collect, account for, have custody of, invest, and manage all state
31 funds and all revenues of the state except revenues incidental to a program of licensing

1 and regulation carried on by another state department, funds managed and invested by
 2 the Alaska **Retirement Management** [STATE PENSION INVESTMENT] Board,
 3 and as otherwise provided by law;

4 * **Sec. 134.** AS 44.25.028(a) is amended to read:

5 (a) The commissioner of revenue may designate employees of the Department
 6 of Revenue who are subject to the provisions of AS 39.50 because of their
 7 responsibility for participating in the management or investment of the funds for
 8 which the Alaska **Retirement Management** [STATE PENSION INVESTMENT]
 9 Board is responsible.

10 * **Sec. 135.** AS 44.25.028(b) is amended to read:

11 (b) If an officer or employee of the Department of Revenue with responsibility
 12 for funds for which the Alaska **Retirement Management** [STATE PENSION
 13 INVESTMENT] Board is responsible acquires, owns, or controls an interest, direct or
 14 indirect, in an entity or project in which assets under the control of the board are
 15 invested, the officer or employee shall immediately disclose the interest to the board.
 16 The disclosure is a matter of public record and shall be included in the minutes of the
 17 board meeting next following the disclosure. The commissioner shall adopt
 18 regulations to restrict officers and employees of the department from having a
 19 substantial interest in an entity or project in which assets under the control of the board
 20 are invested.

21 * **Sec. 136.** AS 44.64.030(a) is amended by adding new paragraphs to read:

22 (36) AS 14.25.006 (teachers' retirement system);

23 (37) AS 39.35.006 (public employees' retirement system).

24 * **Sec. 137.** AS 14.25.012(a), 14.25.015, 14.25.020, 14.25.022, 14.25.030, 14.25.035,
 25 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);
 26 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,
 27 39.35.080, 39.35.090, 39.35.520(c), 39.35.522(c), 39.35.522(e); AS 39.45.025;
 28 AS 39.50.200(b)(23), and 39.50.200(b)(29) are repealed.

29 * **Sec. 138.** AS 14.25.061(c), 14.25.062; and AS 39.35.350 are repealed.

30 * **Sec. 139.** The uncodified law of the State of Alaska is amended by adding a new section
 31 to read:

1 EMPLOYER CONTRIBUTIONS FOR OCCUPATIONAL DISABILITY AND
 2 DEATH BENEFITS IN THE PUBLIC EMPLOYEES' DEFINED CONTRIBUTION
 3 RETIREMENT PLAN FOR THE FIRST FISCAL YEAR THE PLAN IS IN EFFECT.
 4 Notwithstanding AS 39.35.750(e), added by sec. 127 of this Act, for the first fiscal year in
 5 which the public employees' defined contribution retirement plan is in effect, the employer
 6 contribution to fully fund the cost of providing occupational disability and occupational death
 7 benefits under AS 39.35.890 and 39.35.892 shall be equal to

8 (1) 0.4 percent of the compensation for peace officers and fire fighters; and

9 (2) 0.3 percent of the compensation for all other employees.

10 * **Sec. 140.** The uncodified law of the State of Alaska is amended by adding a new section
 11 to read:

12 TRANSITION: INITIAL STAGGERED TERMS OF TRUSTEES OF THE
 13 ALASKA RETIREMENT MANAGEMENT BOARD. Notwithstanding AS 37.10.210(c), as
 14 repealed and reenacted by sec. 63 of this Act, the terms of the initially appointed trustees of
 15 the Alaska Retirement Management Board who are not commissioners shall be set by the
 16 governor to achieve staggered terms in the manner provided for seven-member boards by
 17 AS 39.05.055(5). Notwithstanding AS 39.05.055(5), the terms of each of the two members of
 18 the two retirement systems appointed under AS 37.10.210(b)(2)(C) and 37.10.210(b)(2)(D),
 19 as repealed and reenacted by sec. 63 of this Act, shall be set so that the term of one of each of
 20 the members in each system expires three years apart from the term of the other member
 21 representing that system.

22 * **Sec. 141.** The uncodified law of the State of Alaska is amended by adding a new section
 23 to read:

24 TERMS OF MEMBERS OF THE ALASKA TEACHERS' RETIREMENT BOARD
 25 AND THE PUBLIC EMPLOYEES' RETIREMENT BOARD. The terms of all board
 26 members appointed to the Alaska Teachers' Retirement Board and the Public Employees'
 27 Retirement Board expire on the effective date of this section.

28 * **Sec. 142.** The uncodified law of the State of Alaska is amended by adding a new section
 29 to read:

30 TERMS OF MEMBERS OF THE ALASKA STATE PENSION INVESTMENT
 31 BOARD. The terms of all board members appointed to the Alaska State Pension Investment

1 Board expire on September 30, 2005.

2 * **Sec. 143.** The uncodified law of the State of Alaska is amended by adding a new section
3 to read:

4 TRANSITION OF DUTIES BETWEEN THE ALASKA STATE PENSION
5 INVESTMENT BOARD AND THE ALASKA RETIREMENT MANAGEMENT BOARD.

6 (a) After the effective date of this section and until September 30, 2005, the Alaska State
7 Pension Investment Board shall continue to exercise the powers and duties assigned in this
8 Act to the Alaska Retirement Management Board. The Alaska State Pension Investment
9 Board shall take actions to facilitate the transition of duties formerly assigned to the Alaska
10 State Pension Investment Board to the duties assigned in this Act to the Alaska Retirement
11 Management Board. A member of the Alaska Retirement Management Board appointed to
12 serve as a trustee before September 30, 2005, shall be invited to observe and train with the
13 Alaska State Pension Investment Board.

14 (b) The Alaska Retirement Management Board may not assume the duties and
15 responsibilities assigned to the Alaska Retirement Management Board in this Act until
16 October 1, 2005.

17 * **Sec. 144.** The uncodified law of the State of Alaska is amended by adding a new section
18 to read:

19 TRANSITION. Hearings and other proceedings pending under a law amended or
20 repealed by this Act or in connection with functions transferred by this Act continue in effect
21 and may be continued and completed notwithstanding a transfer or amendment or repeal
22 provided for in this Act. Orders and regulations issued or adopted under authority of a law
23 amended or repealed by this Act remain in effect for the term issued, or until revoked,
24 vacated, or otherwise modified under the provisions of this Act. Contracts, rights, liabilities,
25 and obligations created by or under a law amended or repealed by this Act, and in effect on
26 the effective date of this section, remain in effect notwithstanding this Act's taking effect.
27 Records, equipment, appropriations, funds, and other property of boards or agencies of the
28 state whose functions are transferred under this Act shall be transferred to implement the
29 provisions of this Act.

30 * **Sec. 145.** The uncodified law of the State of Alaska is amended by adding a new section
31 to read:

1 TRANSITION: REGULATIONS. (a) The Department of Administration and the
2 Department of Revenue may proceed to develop and adopt regulations required to implement
3 this Act.

4 (b) Regulations adopted by the Department of Administration and the Department of
5 Revenue under this Act relate to the internal management of a state agency, and the adoption
6 of the regulations is not subject to AS 44.62 (Administrative Procedure Act).

7 * **Sec. 146.** The uncodified law of the State of Alaska is amended by adding a new section
8 to read:

9 REPORT TO THE LEGISLATURE BY ALASKA RETIREMENT MANAGEMENT
10 BOARD. It is the intent of the legislature that there will be a moratorium after the effective
11 date of this Act on legislation affecting all public employees' retirement plans until the Alaska
12 Retirement Management Board can present a report to the legislature containing the board's
13 assessment and recommendations as provided in this section. The Alaska Retirement
14 Management Board shall report to the legislature 120 days after all members are appointed to
15 the board, or 15 days after the first day of the first regular legislative session following the
16 effective date of this section, whichever is first. The report must include the board's

17 (1) preliminary assessment of the financial health of all public employees'
18 retirement plans and all teachers' retirement plans;

19 (2) assessment of the actuarial services purchased by the board;

20 (3) recommendations for additional legislative or administrative policy to
21 improve the financial health of the retirement plans;

22 (4) short-term and long-term recommendations for addressing the unfunded
23 liability of the retirement plans; and

24 (5) recommendations for legislative procedures regarding fiscal notes for new
25 legislation affecting the retirement plans.

26 * **Sec. 147.** The uncodified law of the State of Alaska is amended by adding a new section
27 to read:

28 REPORT TO THE LEGISLATURE ON HEALTH CARE COST-SAVING
29 MEASURES. The Department of Administration shall provide an annual report to the
30 legislature regarding the cost-saving measures it has implemented by regulation as described
31 in AS 39.30.090(c), enacted by sec. 75 of this Act.

1 * **Sec. 148.** The uncodified law of the State of Alaska is amended by adding a new section
2 to read:

3 INSTRUCTION REGARDING ALASKA TEACHERS' RETIREMENT SYSTEM
4 BOARD, ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM BOARD, AND
5 ALASKA STATE PENSION INVESTMENT BOARD. Wherever in the Alaska Statutes and
6 the Alaska Administrative Code the terms "Alaska Teachers' Retirement System Board,"
7 "Alaska Public Employees' Retirement System Board," or "Alaska State Pension Investment
8 Board" are used, they shall be read as "Alaska Retirement Management Board" when to do so
9 would be consistent with the changes made by this Act.

10 * **Sec. 149.** The uncodified law of the State of Alaska is amended by adding a new section
11 to read:

12 SPECIFIC INSTRUCTIONS TO REVISOR OF STATUTES CONCERNING
13 SPECIFIC REFERENCES. (a) The revisor of statutes shall change references to "this
14 chapter" to "AS 14.25.009 - 14.25.220" in the following statutes: AS 14.25.040(b),
15 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),
16 14.25.105, 14.25.107, 14.25.110(k), 14.25.142, 14.25.150(b), 14.25.153, 14.25.160(h),
17 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
18 in 14.25.220 in each place that the phrase appears.

19 (b) The revisor of statutes shall change the reference to "board" to "administrator" in
20 the following statutes: AS 14.25.075 and 14.25.130(f).

21 (c) The revisor of statutes shall change the reference to "system" to "plan" in the
22 following statutes: AS 14.25.040(b), 14.25.040(c), 14.25.045, 14.25.047, 14.25.050(a),
23 14.25.055, 14.25.060, 14.25.061(a), 14.25.062, 14.25.063(a), 14.25.065, 14.25.070,
24 14.25.075(c), 14.25.075(d), 14.25.075(g), 14.25.075(h), 14.25.075(i), 14.25.100(a),
25 14.25.105(c), 14.25.107, 14.25.110, 14.25.125(c), 14.25.143, 14.25.163, 14.25.165(i),
26 14.25.167(g), 14.25.168, 14.25.169, 14.25.173(a), 14.25.173(d), 14.25.181, 14.25.200,
27 14.25.210, 14.25.220(1), 14.25.220(4), 14.25.220(7), 14.25.220(14), 14.25.220(20),
28 14.25.220(22), 14.25.220(23), 14.25.220(31), 14.25.220(34), 14.25.220(36), 14.25.220(37),
29 14.25.220(42); AS 39.35.120, 39.35.125, 39.35.160, 39.35.165(a), 39.35.165(c),
30 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,
31 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),

1 39.35.340(a), 39.35.342(a), 39.35.342(d), 39.35.345(a), 39.35.345(d), 39.35.360(a),
 2 39.35.360(g), 39.35.360(h), 39.35.360(k), 39.35.370(f), 39.35.370(h), 39.35.370(i),
 3 39.35.370(j), 39.35.370(k), 39.35.371(i), 39.35.381(b), 39.35.381(g), 39.35.385(c),
 4 39.35.400(e), 39.35.450(g), 39.35.475(a), 39.35.475(b), 39.35.475(d), 39.35.500(a),
 5 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,
 6 39.35.535(a), 39.35.535(d), 39.35.550, 39.35.560, 39.35.570, 39.35.580, 39.35.590,
 7 39.35.600, 39.35.610, 39.35.620(a), 39.35.620(h), 39.35.650, 39.35.670, 39.35.675(a),
 8 39.35.680(1), 39.35.680(5), 39.35.680(9), 39.35.680(12), 39.35.680(15), 39.35.680(16),
 9 39.35.680(17), 39.35.680(20), 39.35.680(21)(A), 39.35.680(29), 39.35.680(32),
 10 39.35.680(33), and 39.35.680(35).

11 (d) The revisor of statutes shall change the reference to "board" to "commissioner" in
 12 the following statutes: AS 39.35.290, 39.35.522(a), 39.35.522(b), and 39.35.522(d).

13 (e) The revisor of statutes shall change references to "this chapter" to "AS 39.35.095 -
 14 39.35.680" in the following statutes: AS 39.35.165, 39.35.200, 39.35.250, 39.35.300,
 15 39.35.340, 39.35.350, 39.35.360, 39.35.370, 39.35.371, 39.35.375, 39.35.381, 39.35.480,
 16 39.35.490, 39.35.495, 39.35.505, 39.35.530, 39.35.546, 39.35.547, 39.35.615(c),
 17 39.35.620(e), 39.35.660, 39.35.675(b), 39.35.677, and 39.35.680.

18 (f) The revisor of statutes shall renumber AS 39.35.690 to follow AS 39.35.990.

19 * **Sec. 150.** The uncodified law of the State of Alaska is amended by adding a new section
 20 to read:

21 IMPLEMENTATION OF SECTIONS 148 AND 149 OF THIS ACT. Under
 22 AS 01.05.031, the revisor of statutes shall implement secs. 148 and 149 of this Act in the
 23 Alaska Statutes, and, under AS 44.62.125(b)(6), the regulations attorney shall implement secs.
 24 148 and 149 of this Act in the administrative code.

25 * **Sec. 151.** The uncodified law of the State of Alaska is amended by adding a new section
 26 to read:

27 CONDITIONAL RETROACTIVITY. If secs. 1 - 5, 7 - 10, 16 - 19, 22 - 33, 35 - 42,
 28 44 - 50, 52 - 65, 67 - 85, 87 - 93, 100 - 117, 119, 120, 122 - 126, 128 - 137, and 140 - 150 of
 29 this Act take effect after July 1, 2005, secs. 1 - 5, 7 - 10, 16 - 19, 22 - 33, 35 - 42, 44 - 50, 52 -
 30 65, 67 - 85, 87 - 93, 100 - 117, 119, 120, 122 - 126, 128 - 137, and 140 - 150 of this Act are
 31 retroactive to July 1, 2005.

- 1 * **Sec. 152.** Sections 21 and 121 of this Act take effect January 1, 2006.
- 2 * **Sec. 153.** Sections 6, 34, 43, 51, 66, 74, 86, 127, and 139 of this Act take effect July 1,
3 2006.
- 4 * **Sec. 154.** Sections 11 - 15, 20, 94 - 99, 112, 118, and 138 of this Act take effect June 30,
5 2010.
- 6 * **Sec. 155.** Section 150 of this Act takes effect immediately under AS 01.10.070(c).
- 7 * **Sec. 156.** Except as provided in secs. 152 - 155 of this Act, this Act takes effect July 1,
8 2005.