

**FREE CONFERENCE CS FOR SENATE BILL NO. 141(2d FCC)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - FIRST SPECIAL SESSION

BY THE 2d FREE CONFERENCE COMMITTEE

Offered: 5/21/05

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 \* **Sec. 2.** AS 14.25.008(1) is amended to read:

17 (1) "plan" means a retirement plan established in AS 14.25.009 -  
 18 14.25.220 or the retirement plan established in AS 14.25.310 - 14.25.590 [THIS  
 19 CHAPTER];

20 \* **Sec. 3.** AS 14.25 is amended by adding a new section to read:

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

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

24 \* **Sec. 4.** AS 14.25.010 is amended to read:

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

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

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

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

8 \* **Sec. 5.** AS 14.25.012(b) is amended to read:

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

12 \* **Sec. 6.** AS 14.25.012 is amended by adding a new subsection to read:

13 (c) Employees first hired after June 30, 2006, are not eligible to participate in  
 14 the plan established in AS 14.25.009 - 14.25.220.

15 \* **Sec. 7.** AS 14.25.040(a) is amended to read:

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

21 \* **Sec. 8.** AS 14.25.040(a) is amended to read:

22 (a) Unless a teacher or member participates in a university retirement program  
 23 under AS 14.40.661 - 14.40.799, [OR] has filed an election under AS 14.25.043(b), **or**  
 24 **has elected under AS 14.25.540 to participate in the plan established in**  
 25 **AS 14.25.310 - 14.25.590,** a teacher or member contracting for service with a  
 26 participating employer is subject to AS 14.25.009 - 14.25.220.

27 \* **Sec. 9.** AS 14.25.040(d) is amended to read:

28 (d) A person who is employed at least half-time in the **plan** [SYSTEM] during  
 29 the same period that the person is employed at least half-time in a position in the  
 30 public employees' retirement **plan** [SYSTEM] under AS 39.35.095 - 39.35.680  
 31 [AS 39.35] shall receive credited service under each **plan** [SYSTEM] for half-time

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

18 \* **Sec. 10.** AS 14.25.070 is repealed and reenacted to read:

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

25 \* **Sec. 11.** AS 14.25.070 is amended by adding a new subsection to read:

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

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

30 (a) An employee who is eligible to purchase credited service under  
 31 AS 14.25.047 or 14.25.048, a member who is eligible to purchase credited service

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

6 \* **Sec. 13.** AS 14.25.075(b) is amended to read:

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

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

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

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

1 \* **Sec. 14.** AS 14.25.075(e) is amended to read:

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

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

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

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

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

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

29 (4) subject to the limitations prescribed in 26 U.S.C. 457(e)(17),  
30 accepting direct trustee-to-trustee transfers of all or a portion of the accounts of the  
31 member, on or after January 1, 2002, from an eligible deferred compensation plan of a

1 tax-exempt organization or a state or local government described in 26 U.S.C. 457(b);  
 2 (5) accepting direct trustee-to-trustee transfer from an account  
 3 established for the benefit of the member in AS 39.30.150 - 39.30.180 (Alaska  
 4 Supplemental Annuity Plan).

5 \* **Sec. 16.** AS 14.25.075(i) is amended to read:

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

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

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

22 \* **Sec. 18.** AS 14.25.143(a), as that subsection read following amendment by sec. 3, ch.  
 23 146, SLA 1980, until amended by sec. 12, ch. 106, SLA 1988, is amended to read:

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

1 \* **Sec. 19.** AS 14.25.143(a), as that subsection read following amendment by sec. 12, ch.  
2 106, SLA 1988, until amended by sec. 12, ch. 97, SLA 1990, is amended to read:

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

11 \* **Sec. 20.** AS 14.25.145 is amended to read:

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

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

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

18 \* **Sec. 22.** AS 14.25.168(a) is repealed and reenacted to read:

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

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

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

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

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

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

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

31 (A) a teacher who is receiving a monthly benefit from the plan

1 and who has elected coverage for the teacher;

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

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

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

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

11 \* **Sec. 23.** AS 14.25.173(c) is amended to read:

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

24 \* **Sec. 24.** AS 14.25.175(a) is amended to read:

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

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

31 (2) the adjustment was not the result of erroneous information supplied

1 by the member or beneficiary;

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

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

7 \* **Sec. 25.** AS 14.25.175(b) is amended to read:

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

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

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

16 \* **Sec. 27.** AS 14.25.175(d) is amended to read:

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

22 \* **Sec. 28.** AS 14.25.210(a) is amended to read:

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

27 \* **Sec. 29.** AS 14.25.220(2) is amended to read:

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

1 [SYSTEM] that are formally adopted [UNDER AS 14.25.022] by the board and that  
 2 clearly preclude employer discretion in the determination of the amount of any  
 3 member's benefit;

4 \* **Sec. 30.** AS 14.25.220(3) is amended to read:

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

8 \* **Sec. 31.** AS 14.25.220(9) is amended to read:

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

11 \* **Sec. 32.** AS 14.25.220(40) is amended to read:

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

16 \* **Sec. 33.** AS 14.25.220(42) is amended to read:

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

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

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

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

3 \* **Sec. 34.** AS 14.25.220 is amended by adding a new paragraph to read:

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

6 \* **Sec. 35.** AS 14.25 is amended by adding new sections to read:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

31           (c) Notwithstanding (b) of this section, the employer contribution for retiree

1 major medical insurance for fiscal year 2007 shall be 1.75 percent of each member's  
2 compensation from July 1 to the following June 30.

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

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

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

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

15 (d) In this section,

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

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

21 (3) "eligible retirement plan" means

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 related earnings, in the ratio of

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

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

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

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

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

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

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

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

1 60 days after termination of employment.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

21 (i) In this section,

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

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

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

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

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

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

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

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

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

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

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

31 (4) to the estate.

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

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

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

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

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

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

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

30 (c) A member's surviving spouse is eligible to elect medical benefits under  
31 AS 14.25.480 if the member had retired, or was eligible for retirement and medical

1 benefits at the time of the member's death.

2 (d) A member shall apply for retirement and medical benefits on the forms  
3 and in the manner prescribed by the administrator.

4 (e) Participation in the retiree major medical insurance plan is not required in  
5 order to participate in the health reimbursement arrangement.

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

9 (g) An eligible person shall make the irrevocable election to participate or not  
10 participate in the retiree major medical insurance plan by reaching 70 1/2 years of age,  
11 or upon application for retirement and medical benefits, whichever is later.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25 (1) be informed by the administrator in writing

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

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

31 (2) indicate in writing on a form provided by the administrator that the

1 person has received the information required by this subsection and whether the  
2 person has chosen to receive optional health insurance coverage.

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

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

11 **Sec. 14.25.485. Occupational disability benefits and reemployment of**  
12 **disabled members.** (a) A member is eligible for an occupational disability benefit if  
13 employment is terminated because of a total and apparently permanent occupational  
14 disability before the member's normal retirement date.

15 (b) The occupational disability benefits accrue beginning the first day of the  
16 month following termination of employment as a result of the disability and are  
17 payable the last day of the month. If a final determination granting the benefit is not  
18 made in time to pay the benefit when due, a retroactive payment shall be made to  
19 cover the period of deferment. The last payment shall be for the first month in which  
20 the disabled member

21 (1) dies;

22 (2) recovers from the disability;

23 (3) fails to meet the requirements under (f) or (h) of this section; or

24 (4) reaches normal retirement age.

25 (c) If the disabled member becomes ineligible to receive occupational  
26 disability benefits before the normal retirement date, the disabled member shall then  
27 be entitled to receive retirement benefits if the member would have been eligible for  
28 the benefit had employment continued during the period of disability. The period of  
29 disability constitutes membership service in regard to determining eligibility for  
30 retirement.

31 (d) The monthly amount of an occupational disability benefit is 40 percent of

1 the disabled member's gross monthly compensation at the time of termination due to  
2 disability. While a member is receiving disability benefits, based on the disabled  
3 member's gross monthly compensation at the time of termination due to disability, the  
4 employer shall make contributions to the

5 (1) member's individual account under AS 14.25.340 on behalf of the  
6 member, without deduction from the member's disability payments; and

7 (2) appropriate accounts and funds on behalf of the member under  
8 AS 14.25.350.

9 (e) A member is not entitled to an occupational disability benefit unless the  
10 member files an application for an occupational disability benefit with the  
11 administrator within 90 days after the date of terminating employment. If the member  
12 is unable to meet a filing requirement of this subsection, the filing requirement may be  
13 waived by the administrator if there are extraordinary circumstances that resulted in  
14 the member's inability to meet the filing requirement.

15 (f) A disabled member receiving an occupational disability benefit shall  
16 undergo a medical examination as often as the administrator considers advisable, but  
17 not more frequently than once each year. The administrator shall determine the place  
18 of the examination and engage the physician or physicians. If, in the judgment of the  
19 administrator, the examination indicates that the disabled member is no longer  
20 incapacitated because of a total and apparently permanent occupational disability, the  
21 administrator may not issue further disability benefits to the member.

22 (g) A disabled member's occupational disability benefit terminates when the  
23 disabled member first attains eligibility for normal retirement. At that time, the  
24 member's retirement benefit shall be determined under the provisions of AS 14.25.420  
25 -14.25.440, 14.25.470, and 14.25.480. A member receiving disability benefits up until  
26 eligibility for retirement shall be considered to have retired directly from the plan.

27 (h) A member appointed to disability benefits shall apply to the division of  
28 vocational rehabilitation of the Department of Labor and Workforce Development  
29 within 30 days after the date disability benefits commence. The member shall be  
30 enrolled in a rehabilitation program if the member meets the eligibility requirements  
31 of the division of vocational rehabilitation. Unless the member demonstrates cause,

1 benefits shall terminate at the end of the first month in which a disabled member

2 (1) fails to report to the division of vocational rehabilitation;

3 (2) is certified by the division of vocational rehabilitation as failing to  
4 cooperate in a vocational rehabilitation program;

5 (3) fails to interview for a job; or

6 (4) fails to accept a position offered.

7 (i) Upon the death of a disabled member who is receiving or is entitled to  
8 receive an occupational disability benefit, the administrator shall pay the surviving  
9 spouse a surviving spouse's pension, equal to 40 percent of the member's monthly  
10 compensation at the termination of employment because of occupational disability. If  
11 there is no surviving spouse, the administrator shall pay the survivor's pension in equal  
12 parts to the dependent children of the member. The first payment of the surviving  
13 spouse's pension or of a dependent child's pension shall accrue from the first day of  
14 the month following the member's death and is payable the last day of the month. The  
15 last payment shall be made for the last month in which there is an eligible surviving  
16 spouse or child. On the date the normal retirement of the member would have  
17 occurred if the member had lived, the retirement benefit shall be determined under the  
18 provisions of AS 14.25.420 - 14.25.440, 14.25.470, and 14.25.480. A member who  
19 died while receiving disability benefits shall be considered to have retired directly  
20 from the plan on the date the normal retirement of the member would have occurred if  
21 the member had lived.

22 (j) In this section, "occupational disability" has the meaning given in  
23 AS 39.35.680.

24 **Sec. 14.25.487. Occupational death benefit.** (a) If (1) the death of a  
25 member occurs before the member's retirement and before the member's normal  
26 retirement date, (2) the proximate cause of death is a bodily injury sustained or a  
27 hazard undergone while in the performance and within the scope of the member's  
28 duties, and (3) the injury or hazard is not the proximate result of wilful negligence of  
29 the member, a monthly survivor's pension shall be paid to the surviving spouse. If  
30 there is no surviving spouse or if the spouse later dies, the monthly survivor's pension  
31 shall be paid in equal parts to the dependent children of the member.

1 (b) The first payment of the surviving spouse's pension or of a dependent  
2 child's pension shall be made for the month following the month in which the member  
3 dies, and payment shall cease to be made beginning with the month in which the  
4 member would have first qualified for retirement.

5 (c) The monthly survivor's pension in (b) of this section for survivors of  
6 members is 40 percent of the member's monthly compensation in the month in which  
7 the member dies. While the monthly survivor's pension is being paid, the employer  
8 shall make contributions on behalf of the member's beneficiaries based on the  
9 deceased member's gross monthly compensation at the time of occupational death

10 (1) to the member's individual account under AS 14.25.340, without  
11 deduction from the survivor's pension; and

12 (2) to the appropriate accounts and funds on behalf of the member  
13 under AS 14.25.350.

14 (d) If a member's death is caused by an act of assault, assassination, or  
15 terrorism directly related to the person's status as a member, whether the act occurs on  
16 or off the member's job site, the death shall be considered to have occurred in the  
17 performance of and within the scope of the member's duties for purposes of (a)(2) of  
18 this section. If the expressed or apparent motive and intent of the perpetrator of the  
19 harm inflicted upon the member was due to the performance of the member's job  
20 duties or employment, the death shall be considered to be directly related to the  
21 member's status as a member. A member's job duties are those performed within the  
22 course and scope of the person's employment with an employer.

23 (e) On the date the normal retirement of the member would have occurred if  
24 the member had lived, the retirement benefit shall be determined under the provisions  
25 of AS 14.25.420 - 14.25.440, 14.25.470, and 14.25.480. A member who died and  
26 whose survivors receive occupational death benefits under this section shall be  
27 considered to have retired directly from the plan on the date the normal retirement of  
28 the member would have occurred if the member had lived.

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

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

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

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

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

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

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

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

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

31 (2) an annuity based on interest rates or service charges other than

1 interest rates available from and service charges by the annuity payor in effect at the  
2 time the annuity is paid.

3 **Sec. 14.25.520. Nonguarantee of employment.** The provisions of  
4 AS 14.25.310 - 14.25.590 are not a contract of employment between an employer and  
5 an employee, nor do they confer a right of an employee to be continued in the  
6 employment of an employer, nor are they a limitation of the right of an employer to  
7 discharge an employee with or without cause.

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

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

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

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

21 (c) Each eligible member who elects to participate in the defined contribution  
22 retirement plan shall have transferred to a new account the member contribution  
23 account balance held in trust for the member under the defined benefit retirement plan  
24 of the teachers' retirement system. A matching employer contribution shall be made  
25 on behalf of that employee to the new account. The employer shall make the  
26 matching contribution from funds other than the trust funds of the defined benefit  
27 retirement plan.

28 (d) Upon a transfer, all membership service previously earned under the  
29 defined benefit retirement plan shall be nullified for purposes of entitlement to a future  
30 benefit under the defined benefit retirement plan but shall be credited for purposes of  
31 eligibility to elect medical benefits under AS 14.25.470. Membership service allowed

1 for credit toward medical benefits does not include any service credit purchased under  
2 AS 14.25.075 for employment by an employer who is not a participating employer in  
3 this chapter.

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

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

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

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

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

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

21 (j) In this section,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26 (7) "compensation"

27 (A) means

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

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

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

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

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

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

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

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

30 (12) "individual account" means the total maintained by the plan in an  
31 investment account within the trust fund, established for each member for the purposes

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

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

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

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

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

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

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

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

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

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

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

31 (A) creates or recognizes the existence of an alternate payee's

1 right to, or assigns to an alternate payee the right to, receive all or a portion of  
2 the individual account, or the benefits payable with respect to a member;

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

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

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

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

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

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

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

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

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

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

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

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

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

1 Development, or the Department of Labor and Workforce Development;

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

9 (C) a full-time or part-time instructor of the Department of  
10 Labor and Workforce Development;

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

13 (A) during any school year,

- 14 (i) less than nine days, no credit;
- 15 (ii) nine days or more but less than 27 days, 0.1 years;
- 16 (iii) 27 days or more but less than 45 days, 0.2 years;
- 17 (iv) 45 days or more but less than 63 days, 0.3 years;
- 18 (v) 63 days or more but less than 81 days, 0.4 years;
- 19 (vi) 81 days or more but less than 100 days, 0.5 years;
- 20 (vii) 100 days or more but less than 118 days, 0.6 years;
- 21 (viii) 118 days or more but less than 136 days, 0.7

22 years;

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

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

29 \* **Sec. 36.** AS 14.40.280(c) is amended to read:

30 (c) Except as provided by (b) of this section, the monetary gifts, bequests, or  
31 endowments that are made to the University of Alaska shall be managed and invested

1 by the Board of Regents. In carrying out its management and investment  
 2 responsibilities under this subsection, the Board of Regents has the same power and  
 3 obligations to carry out duties with respect to the endowments of the University of  
 4 Alaska as are provided to and required of the Alaska **Retirement Management**  
 5 [STATE PENSION INVESTMENT] Board under **AS 37.10.210** [AS 14.25.180].

6 \* **Sec. 37.** AS 14.40.400(b) is amended to read:

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

13 \* **Sec. 38.** AS 14.40.661 is amended to read:

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

22 (b) The board shall

23 (1) provide for the administration of the **retirement programs**  
 24 [PROGRAM], including procedures for resolving complaints from participating  
 25 employees;

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

28 (A) nature and extent of the rights and benefits that the  
 29 contracts will provide to employees who elect to participate and to their  
 30 beneficiaries;

31 (B) relation of the contractual rights and benefits to the

1 contributions to be made under AS 14.40.661 - 14.40.799;

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

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

7 (E) efficacy of the contracts in the recruitment and retention of  
8 faculty and administrators;

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

13 \* **Sec. 39.** AS 14.40.671 is amended to read:

14 **Sec. 14.40.671. Participation.** (a) An employee in a participating position  
15 may elect to participate in **a** [THE OPTIONAL] university retirement program or to  
16 participate in the appropriate state retirement system. Eligibility to participate in **a**  
17 [THE] program begins on an employee's appointment to a participating position.

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

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

30 (d) Except as provided in (e) of this section, if a nonvested member of a state  
31 retirement system **participates** [ELECTS TO PARTICIPATE] in **a university**

1        **retirement** [THE] program, the employee may choose to transfer the amount in the  
 2        employee's contribution account to **a university retirement** [THE] program. If the  
 3        employee chooses to transfer the account, the appropriate state retirement system shall  
 4        pay to the university on behalf of the employee an amount equal to the balance in the  
 5        account. The payment must be made within 45 days after **notice of the employee's**  
 6        **decision to transfer the employee's contribution account to a university**  
 7        **retirement program** [THE ELECTION] is received by the state retirement system.  
 8        The financial officer of the university shall immediately pay the amount received to  
 9        the designated company or companies for the benefit of the employee. An employee  
 10       who transfers assets under this subsection may not reclaim the corresponding service  
 11       in the state retirement system if the employee is reemployed under the state retirement  
 12       system.

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

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

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

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

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

1 \* **Sec. 41.** AS 14.40.671 is amended by adding a new subsection to read:

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

6 \* **Sec. 42.** AS 14.40.681 is amended to read:

7 **Sec. 14.40.681. Retirement system membership.** An [ELIGIBLE] employee  
8 **participating** [ELECTING TO PARTICIPATE] in **a university retirement** [THE]  
9 program may not participate in a state retirement system during the time the employee  
10 is employed in a participating position. If the employee is later employed in a position  
11 covered by a state retirement system that is not a participating position, the employee  
12 may not continue to participate in **a university retirement** [THE] program and shall  
13 begin to participate in the state retirement system.

14 \* **Sec. 43.** AS 14.40.691(c) is amended to read:

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

18 \* **Sec. 44.** AS 14.40.701 is amended to read:

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

27 \* **Sec. 45.** AS 14.40.799(3) is amended to read:

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

31 \* **Sec. 46.** AS 14.40.799(3) is amended to read:

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

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

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

9 (A) A FACULTY APPOINTMENT; OR

10 (B) AN ADMINISTRATOR AND THE POSITION HAS  
 11 BEEN DESIGNATED BY THE BOARD FOR INCLUSION IN THE  
 12 PROGRAM];

13 \* **Sec. 48.** AS 14.40.799(6) is amended to read:

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

16 \* **Sec. 49.** AS 14.40.799 is amended by adding a new paragraph to read:

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

18 \* **Sec. 50.** AS 22.25.048(c) is amended to read:

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

23 \* **Sec. 51.** AS 22.25.900(1) is amended to read:

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

1 \* **Sec. 52.** AS 26.05.226(a) is amended to read:

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

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

9 (2) administer the system.

10 \* **Sec. 53.** AS 26.05.228(c) is amended to read:

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

15 \* **Sec. 54.** AS 36.30.015(f) is amended to read:

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

30 \* **Sec. 55.** AS 36.30.990(1) is amended to read:

31 (1) "agency"

1 (A) means a department, institution, board, commission,  
 2 division, authority, public corporation, the Alaska Pioneers' Home, the Alaska  
 3 Veterans' Home, or other administrative unit of the executive branch of state  
 4 government;

5 (B) does not include

6 (i) the University of Alaska;

7 (ii) the Alaska Railroad Corporation;

8 (iii) the Alaska Housing Finance Corporation;

9 (iv) a regional Native housing authority created under  
 10 AS 18.55.996 or a regional electrical authority created under  
 11 AS 18.57.020;

12 (v) the Department of Transportation and Public  
 13 Facilities, in regard to the repair, maintenance, and reconstruction of  
 14 vessels, docking facilities, and passenger and vehicle transfer facilities  
 15 of the Alaska marine highway system;

16 (vi) the Alaska Aerospace Development Corporation;

17 (vii) the Alaska **Retirement Management** [STATE  
 18 PENSION INVESTMENT] Board;

19 (viii) the Alaska Seafood Marketing Institute;

20 \* **Sec. 56.** AS 37.10.071(d) is amended to read:

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

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

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

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

6 \* **Sec. 57.** AS 37.10.071(f) is amended to read:

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

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

9 **or**

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

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

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

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

19 \* **Sec. 58.** AS 37.10.210 is repealed and reenacted to read:

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

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

3 (1) two members, consisting of the commissioner of administration  
4 and the commissioner of revenue;

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

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

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

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

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

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

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

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

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

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

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

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

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

15 \* **Sec. 59.** AS 37.10 is amended by adding a new section to read:

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

18 \* **Sec. 60.** AS 37.10.220 is repealed and reenacted to read:

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

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

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

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

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

31 (5) provide a range of investment options and establish the rules by

1 which participants can direct their investments among those options with respect to  
2 accounts established under

3 (A) AS 39.30.150 - 39.30.180 (State of Alaska Supplementary  
4 Annuity Plan); and

5 (B) AS 39.45.010 - 39.45.060 (public employees' deferred  
6 compensation program);

7 (6) establish the rate of interest that shall be annually credited to each  
8 member's individual contribution account in accordance with AS 14.25.145 and  
9 AS 39.35.100; the rate of interest shall be adopted on the basis of the probable  
10 effective rate of interest on a long-term basis, and the rate may be changed from time  
11 to time;

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

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

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

18 (B) an appropriate contribution rate for liquidating any past  
19 service liability;

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

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

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

30 (12) obtain an external performance review to evaluate the investment  
31 policies of each fund entrusted to the board and report the results of the review to the

1 appropriate fund fiduciary;

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

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

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

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

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

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

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

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

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

17 (15) develop an annual operating budget.

18 (b) The board may

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

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

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

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

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

30 \* **Sec. 61.** AS 37.10.220(a) is amended to read:

31 (a) The board shall

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

31 (G) other statistical data necessary for a proper understanding

1 of the financial status of the systems;

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

4 (15) develop an annual operating budget.

5 \* **Sec. 62.** AS 37.10.250 is amended to read:

6 **Sec. 37.10.250. Compensation of trustees.** Trustees, other than trustees who  
7 are employees of the state, [OR] a political subdivision of the state, **or a school**  
8 **district or regional educational attendance area in the state,** receive an honorarium  
9 of **\$400** [\$150] for each day spent at a meeting of the board or at a meeting of a  
10 subcommittee of the board or at a public meeting as a representative of the board,  
11 **including a day in which a trustee travels to or from a meeting.** Trustees who are  
12 state employees are entitled to administrative leave for service as a trustee. Trustees  
13 who are employees of a political subdivision of the state **or a school district or**  
14 **regional educational attendance area in the state** are entitled to leave benefits  
15 provided by their employers comparable to those provided to state employees for  
16 service as a trustee. Trustees are entitled to per diem and travel expenses authorized  
17 for boards and commissions under AS 39.20.180.

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

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

24 \* **Sec. 64.** AS 37.10.390 is amended to read:

25 **Sec. 37.10.390. Definitions.** In AS 37.10.210 - 37.10.390, unless the context  
26 otherwise requires,

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

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

31 (3) **"recognized competence" means a minimum of 10 years'**

1 professional experience working or teaching in the field of investment  
 2 management, finance, banking, economics, accounting, pension administration,  
 3 or actuarial analysis;

4 (4) "retirement systems" or "systems" means the teachers' retirement  
 5 system, the judicial retirement system, the Alaska National Guard and Alaska Naval  
 6 Militia retirement system, [AND] the public employees' retirement system, the State  
 7 of Alaska teachers' and public employees' retiree health reimbursement  
 8 arrangement plan, and the elected public officers' retirement system under  
 9 former AS 39.37.

10 \* **Sec. 65.** AS 37.14.160 is amended to read:

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

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

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

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

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

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

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

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

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

30 \* **Sec. 68.** AS 37.14.610 is amended to read:

31 **Sec. 37.14.610. Duties of the commissioner.** The commissioner of revenue

1 has the power and duty to

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

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

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

10 (4) maintain accounting records of the trust in accordance with  
11 investment accounting principles;

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

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

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

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

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

21 (a) The Department of Administration may obtain a policy or policies of group  
22 insurance covering state employees, persons entitled to coverage under AS 14.25.168,  
23 **14.25.480**, AS 22.25.090, AS 39.35.535, **39.35.880**, or former AS 39.37.145,  
24 employees of other participating governmental units, or persons entitled to coverage  
25 under AS 23.15.136, subject to the following conditions:

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

30 (2) Each eligible employee of the state, the spouse and the unmarried  
31 children chiefly dependent on the eligible employee for support, and each eligible

1 employee of another participating governmental unit shall be covered by the group  
2 policy, unless exempt under regulations adopted by the commissioner of  
3 administration.

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

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

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

9 (C) the commissioner of administration approves the  
10 participation in writing.

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

21 (5) The Department of Administration shall make available bid  
22 specifications for desired insurance benefits or for administration of benefit claims and  
23 payments to (A) all insurance carriers authorized to transact business in this state  
24 under AS 21.09 and all hospital or medical service corporations authorized to transact  
25 business under AS 21.87 who are qualified to provide the desired benefits; and (B) to  
26 insurance carriers authorized to transact business in this state under AS 21.09, hospital  
27 or medical service corporations authorized to transact business under AS 21.87, and  
28 third-party administrators licensed to transact business in this state and qualified to  
29 provide administrative services. The specifications shall be made available at least  
30 once every five years. The lowest responsible bid submitted by an insurance carrier,  
31 hospital or medical service corporation, or third-party administrator with adequate

1 servicing facilities shall govern selection of a carrier, hospital or medical service  
2 corporation, or third-party administrator under this section or the selection of an  
3 insurance carrier or a hospital or medical service corporation to provide excess loss  
4 insurance as provided in AS 39.30.091.

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

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

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

14 (9) For each permanent part-time employee electing coverage under  
15 this section, the state shall contribute one-half the state contribution rate for permanent  
16 full-time state employees, and the permanent part-time employee shall contribute the  
17 other one-half.

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

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

31 (12) Each licensee holding a current operating agreement for a vending

1 facility under AS 23.15.010 - 23.15.210 shall be covered by the group policy that  
2 applies to governmental units other than the state.

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

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

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

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

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

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

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

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

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

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

31 **Sec. 39.30.154. Powers and duties of the administrator.** The administrator

1 has the same powers and duties with regard to the plan as those set out in  
2 AS 14.25.004.

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

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

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

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

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

17 \* **Sec. 76.** AS 39.30.160(b) is amended to read:

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

22 \* **Sec. 77.** AS 39.30.160(e) is amended to read:

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

26 \* **Sec. 78.** AS 39.30.175(a) is amended to read:

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

1 \* **Sec. 79.** AS 39.30.180 is amended by adding a new paragraph to read:

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

4 \* **Sec. 80.** AS 39.30 is amended by adding new sections to read:

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

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

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

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

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

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

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

31 **Sec. 39.30.350. Employer contribution fund.** The fund established under

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 or levy.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16 \* **Sec. 81.** AS 39.35 is amended by adding new sections to read:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

15 (A) a balance sheet;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 does not invalidate an action taken by the commissioner.

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

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

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

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

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

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

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

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

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

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

26 \* **Sec. 82.** AS 39.35.008 is amended to read:

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

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

29 (2) "plan" means the retirement plan established in AS 39.35.095 -  
30 39.35.680 **or the retirement plan established in AS 39.35.700 - 39.35.990;**

31 (3) "system" means all retirement plans established under the public

1 employees' retirement system.

2 \* **Sec. 83.** AS 39.35 is amended by adding a new section to read:

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

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

7 \* **Sec. 84.** AS 39.35.100 is amended to read:

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

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

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

25 (2) An individual account shall be maintained for each employee to  
26 record the amount of the employee's voluntary contributions. As of the last day of  
27 each calendar year and each fiscal year beginning with June 30, 1969, this account  
28 shall be credited with interest, by applying [ONE HALF OF] the prescribed rate of  
29 interest **as determined by the board** to the balance in the account as of that date.  
30 Amounts that, before termination of employment, are withdrawn by an employee from  
31 the employee's savings account shall be charged to that account. Upon retirement, the

1 amount actuarially determined as necessary to fully fund the benefits to be received  
 2 shall be transferred first from the employee savings account and, after the employee  
 3 savings account has been exhausted, then from the employer contribution account into  
 4 the retirement reserve account.

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

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

21 \* **Sec. 85.** AS 39.35 is amended by adding a new section to article 1 to read:

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

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

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

4 \* **Sec. 86.** AS 39.35.120 is amended to read:

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

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

15 (1) an elected official;

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

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

20 \* **Sec. 87.** AS 39.35.131 is amended to read:

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

30 (b) A person who was employed at least half-time in a position in the teachers'  
31 retirement **plan** **[SYSTEM]** under **AS 14.25.009 - 14.25.220** **[AS 14.25]** in the same

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

12 \* **Sec. 88.** AS 39.35.158 is amended to read:

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

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

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

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

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

1 payments as provided in this section.

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

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

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

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

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

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

29 (f) The commissioner may accept rollover contributions from a member [AND  
30 DIRECT TRANSFERS, AS DESCRIBED IN THIS SUBSECTION, FOR THE  
31 PURCHASE, IN WHOLE OR IN PART, OF CREDITED SERVICE FOR THE

1 REINSTATEMENT, IN WHOLE OR IN PART, OF FORFEITED CREDITED  
 2 SERVICE UNDER AS 39.35.350]. A rollover contribution [OR TRANSFER] as  
 3 described in this subsection shall also be treated as employer contributions for the  
 4 purpose of determining tax treatment under the Internal Revenue Code and may be  
 5 made by any one or a combination of the following methods:

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

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

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

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

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

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

26 (g) Payments made under this section shall be applied to reduce the  
 27 employee's outstanding indebtedness described in AS 39.35.310, 39.35.330,  
 28 39.35.340, 39.35.342, 39.35.345, [39.35.350,] 39.35.360, 39.35.370, 39.35.375, or  
 29 39.35.381 at the time that the contributions are received by the plan.

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

31 (i) On satisfaction of the eligibility requirements of AS 39.35.310, 39.35.330,

1 39.35.340, 39.35.341, 39.35.345, [39.35.350,] 39.35.360, 39.35.370, 39.35.375, or  
 2 39.35.381, the requirements of this section, and the administrative filing requirements  
 3 specified by the commissioner, the plan shall adjust the employee's credited service  
 4 history and add any additional service credits acquired.

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

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

8 \* **Sec. 95.** AS 39.35.270 is amended to read:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 retirement benefit for purposes of qualifying for a conditional service retirement  
2 benefit under AS 14.25.125 or AS 39.35.385.

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

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

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

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

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

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

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

24 (h) In this section,

25 (1) "teachers' retirement system" and "teachers' retirement system  
26 under AS 14.25" means the teachers' retirement plan established in AS 14.25.009 -  
27 14.25.220;

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

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

31 (a) An elected public officer is eligible for a public officer benefit if the officer

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

7 \* **Sec. 111.** AS 39.35.410(f) is amended to read:

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

16 \* **Sec. 112.** AS 39.35.475(a), as that subsection read following amendment by sec. 34, ch.  
17 146, SLA 1980, until amended by sec. 41, ch. 82, SLA 1986, is amended to read:

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

26 \* **Sec. 113.** AS 39.35.485(a) is amended to read:

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

1 AS 39.35.420 for nonoccupational death benefits, AS 39.35.450 for the survivor's  
 2 option, former AS 39.35.460 for the level income option, AS 39.35.475 for the post-  
 3 retirement pension adjustment, and AS 39.35.480 for the cost of living.

4 \* **Sec. 114.** AS 39.35.520(c) is amended to read:

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

17 \* **Sec. 115.** AS 39.35.522(a) is amended to read:

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

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

24 (2) [REPEALED

25 (3) REPEALED

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

28 **(3)** [(5)] before the adjustment was made, the member or beneficiary  
 29 received confirmation from the administrator that the employee's or beneficiary's  
 30 records were correct; and

31 **(4)** [(6)] the member or beneficiary had no reasonable grounds to

1 believe the employee's or beneficiary's records were incorrect before the adjustment  
2 was made.

3 \* **Sec. 116.** AS 39.35.535(a) is repealed and reenacted to read:

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

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

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

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

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

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

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

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

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

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

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

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

27 \* **Sec. 117.** AS 39.35.680(2) is amended to read:

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

1 [SYSTEM] that are formally adopted [UNDER AS 39.35.042] by the board that  
 2 clearly preclude employer discretion in the determination of the amount of any  
 3 member's benefit;

4 \* **Sec. 118.** AS 39.35.680(6) is amended to read:

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

7 \* **Sec. 119.** AS 39.35.680(21) is amended to read:

8 (21) "member" or "employee"

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

11 (B) includes

- 12 (i) an active member;
- 13 (ii) an inactive member;
- 14 (iii) a vested member;
- 15 (iv) a deferred vested member;
- 16 (v) a nonvested member;
- 17 (vi) a disabled member;
- 18 (vii) a retired member;
- 19 (viii) an elected public officer under AS 39.35.381;

20 (C) does not include

- 21 (i) former members;
- 22 (ii) persons compensated on a contractual or fee basis;
- 23 (iii) casual or emergency workers or nonpermanent  
 24 employees as defined in AS 39.25.200;
- 25 (iv) persons covered by the Alaska Teachers'  
 26 Retirement System except as provided under AS 39.35.131 and  
 27 39.35.381, or persons covered by a [THE OPTIONAL] university  
 28 retirement program;
- 29 (v) employees of the division of marine transportation  
 30 engaged in operating the state ferry system who are covered by a union  
 31 or group retirement system to which the state makes contributions;

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

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

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

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

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

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

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

18 \* **Sec. 120.** AS 39.35.680(34) is amended to read:

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

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

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

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

31 (D) sets out the number of payments or period to which the

1 order applies;

2 (E) sets out the retirement plan [SYSTEM] to which the order  
3 applies;

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

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

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

12 \* **Sec. 121.** AS 39.35.680 is amended by adding new paragraphs to read:

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

14 (42) "plan" means the retirement plan established in AS 39.35.095 -  
15 39.35.680.

16 \* **Sec. 122.** AS 39.35 is amended by adding new sections to read:

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

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

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

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

28 (c) The retirement plan established by AS 39.35.700 - 39.35.990 is intended to  
29 qualify under 26 U.S.C. 401(a) and 414(d) (Internal Revenue Code) as a qualified  
30 retirement plan established and maintained by the state for its employees, for the  
31 employees of political subdivisions, public corporations, and public organizations of

1 the state, and for the employees of other employers whose participation is authorized  
2 by AS 39.35.700 - 39.35.990 and who participate in the plan set out in AS 39.35.700 -  
3 39.35.990.

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

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

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

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

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

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

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

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

7 (c) Notwithstanding (b) of this section, the employer contribution for retiree  
8 major medical insurance for fiscal year 2007 shall be 1.75 percent of each member's  
9 compensation from July 1 to the following June 30.

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

12 (e) An employer shall make annual contributions to the plan in an amount  
13 determined by the board to be actuarially required to fully fund the cost of providing  
14 occupational disability and occupational death benefits under AS 39.35.890 and  
15 39.35.892. The contribution required under this subsection for peace officers and fire  
16 fighters and the contribution required under this subsection for other employees shall  
17 be separately calculated based on the actuarially calculated costs for each group of  
18 employees.

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

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

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

29 (d) In this section,

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

1 eligible to elect a direct rollover;

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

4 (3) "eligible retirement plan" means

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

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

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

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

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

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

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

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

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

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

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

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

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

30 **Sec. 39.35.780. Limitations on contributions.** Notwithstanding any other  
31 provisions of this plan, the annual additions to each member's individual account

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

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

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

- 16 (1) 25 percent with two years of service;
- 17 (2) 50 percent with three years of service; and
- 18 (3) 75 percent with four years of service.

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

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

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

1 direct the investment of the contributions received.

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

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

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

13 **Sec. 39.35.810. Distribution election at termination.** (a) A member is  
14 eligible to elect distribution of the member's account in accordance with this section  
15 60 days after termination of employment.

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

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

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

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

31 (4) prevention of the eviction of the member from the member's

1 principal residence or foreclosure on the mortgage of the member's principal  
2 residence; or

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

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

10 (d) Distributions are payable to an alternate payee in accordance with the  
11 terms and conditions of a qualified domestic relations order that is received and  
12 approved by the administrator as specified in AS 39.35.860.

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

18 **Sec. 39.35.820. Forms of distribution.** (a) A participant may elect to receive  
19 the participant's share of the individual account in a

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

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

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

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

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

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

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

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

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

21           **Sec. 39.35.830. Manner of electing distributions.** (a) Any election or any  
22 alteration or revocation of a prior election by a participant for any purpose under this  
23 plan shall be on forms or made in a manner prescribed for that purpose by the plan  
24 administrator. To be effective, the forms required or the required action for any  
25 purpose under this plan must be completed and received in accordance with  
26 regulations adopted by the commissioner of administration.

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

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

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

3 **Sec. 39.35.840. Distribution requirements.** (a) Payments to a participant  
4 shall commence as soon as administratively feasible following the distribution  
5 commencement date. The distribution commencement date is the first date on which  
6 one of the following occurs:

7 (1) a member meets the requirements of AS 39.35.810 and has made a  
8 complete application for payment under AS 39.35.830;

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

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

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

17 (5) notwithstanding (a) of this section, a participant whose account has  
18 a balance of \$1,000 or less meets the requirements of AS 39.35.810, at which time the  
19 participant must take payment of the participant's account.

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

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

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

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

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

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

29 (g) Notwithstanding any contrary provisions of AS 39.35.700 - 39.35.990, the  
30 requirements of this section apply to all distributions of a member's interest and take  
31 precedence over any inconsistent provisions of AS 39.35.700 - 39.35.990.

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

4 (i) In this section,

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

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

11 **Sec. 39.35.850. Designation of beneficiary.** (a) Each participant shall have  
12 the right to designate a beneficiary and shall have the right, at any time, to revoke the  
13 designation or to substitute another beneficiary, subject to the following limitation: if a  
14 married member elects a nonspouse beneficiary, the value of the benefit payable to the  
15 beneficiary may not exceed 50 percent of the member's portion of the account balance,  
16 and the member's spouse shall automatically be considered the beneficiary for the  
17 remaining 50 percent of the account balance, unless the spouse consents to the  
18 beneficiary designation in a writing that is notarized or witnessed by the administrator.  
19 If the spouse consents in this manner, a married member may designate a nonspouse  
20 beneficiary for the entire benefit or any portion the benefit as part of an available form  
21 of payment contained in this plan,

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

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

31 (b) Except as provided in (a) of this section, the member may change or

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

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

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

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

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

14 (4) to the estate.

15 (d) A person claiming entitlement to benefits payable under AS 39.35.700 -  
16 39.35.990 as a consequence of a member's death shall provide the administrator with a  
17 marriage certificate, divorce or dissolution judgment, or other evidence of entitlement.  
18 Documents establishing entitlement may be filed with the administrator immediately  
19 after a change in the member's marital status. If the administrator does not receive  
20 notification of a claim before the date 10 days after the member's death, the person  
21 claiming entitlement is not entitled to receive from the division of retirement and  
22 benefits any benefit already paid by the administrator.

23 **Sec. 39.35.860. Rights under qualified domestic relations order.** (a)  
24 Notwithstanding the nonalienation provisions in AS 39.35.900(a), the plan  
25 administrator may direct that benefits be paid to someone other than a member or  
26 beneficiary under a valid qualified domestic relations order that is executed by the  
27 judge of a competent court in accordance with applicable state law and that has been  
28 accepted by the administrator.

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

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

4 **Sec. 39.35.870. Eligibility for retirement and medical benefits.** (a) In  
5 order to obtain medical benefits under AS 39.35.880, an active member must retire  
6 directly from the plan. A member is eligible to retire from the plan if the member has  
7 been an active member for at least 12 months before application for retirement and

8 (1) the member has at least 25 years of membership service as a peace  
9 officer or fire fighter or at least 30 years of membership service for all other  
10 employees; or

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

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

15 (c) A member's surviving spouse is eligible to elect medical benefits under  
16 AS 39.35.880 if the member had retired, or was eligible for retirement and medical  
17 benefits at the time of the member's death.

18 (d) Members shall apply for retirement and medical benefits on the forms and  
19 in the manner prescribed by the administrator.

20 (e) Participation in the retiree major medical insurance plan is not required in  
21 order to participate in the health reimbursement arrangement.

22 (f) A person eligible for retirement and medical benefits is not required to  
23 participate in the health reimbursement arrangement in order to participate in the  
24 retiree major medical insurance plan.

25 (g) An eligible person must make the irrevocable election to participate or not  
26 participate in the retiree major medical insurance plan by reaching 70 1/2 years of age,  
27 or upon application for retirement and medical benefits, whichever is later.

28 **Sec. 39.35.880. Medical benefits.** (a) The medical benefits available to  
29 eligible persons are access to the retiree major medical insurance plan and to the  
30 health reimbursement arrangement under AS 39.30.300. Access to the retiree major  
31 medical insurance plan means that an eligible person may not be denied insurance

1 coverage except for failure to pay the required premium.

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

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

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

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

16 (f) The medical and optional insurance premiums owed by the person who  
17 elects coverage may be deducted from the health reimbursement arrangement. If the  
18 amount of the health reimbursement arrangement becomes insufficient to pay the  
19 premiums, the person who elects coverage under (a) of this section shall pay the  
20 premiums directly.

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

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

25 (2) eligible for Medicare is the following percentage of the premium  
26 amounts established for retirees who are eligible for Medicare:

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

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

31 (C) 20 percent if the member had 20 or more, but less than 25,

1 years of service;

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

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

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

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

10 (1) be informed by the administrator in writing

11 (A) that the health insurance coverage available to retired  
12 members may be different from the health insurance coverage provided to  
13 employees;

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

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

19 (j) The monthly group premiums for retiree major medical insurance coverage  
20 are established by the administrator in accordance with AS 39.30.095. Nothing in  
21 AS 39.35.700 - 39.35.990 guarantees a person who elects coverage under (a) of this  
22 section a monthly group premium rate for retiree major medical insurance coverage  
23 other than the premium in effect for the month in which the premium is due for  
24 coverage for that month.

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

27 **Sec. 39.35.890. Occupational disability benefits and reemployment of**  
28 **disabled employees.** (a) An employee is eligible for an occupational disability  
29 benefit if employment is terminated because of a total and apparently permanent  
30 occupational disability before the employee's normal retirement date.

31 (b) The occupational disability benefits accrue beginning the first day of the

1 month following termination of employment as a result of the disability and are  
2 payable the last day of the month. If a final determination granting the benefit is not  
3 made in time to pay the benefit when due, a retroactive payment shall be made to  
4 cover the period of deferment. The last payment shall be for the first month in which  
5 the disabled employee

- 6 (1) dies;
- 7 (2) recovers from the disability;
- 8 (3) fails to meet the requirements under (f) or (j) of this section; or
- 9 (4) reaches normal retirement age.

10 (c) If the disabled employee becomes ineligible to receive occupational  
11 disability benefits before the normal retirement date, the disabled employee shall then  
12 be entitled to receive retirement benefits if the employee would have been eligible for  
13 the benefit had employment continued during the period of disability. The period of  
14 disability constitutes membership service in regard to determining eligibility for  
15 retirement.

16 (d) The monthly amount of an occupational disability benefit is 40 percent of  
17 the disabled employee's gross monthly compensation at the time of termination due to  
18 disability. While an employee is receiving disability benefits, based on the disabled  
19 employee's gross monthly compensation at the time of termination due to disability,  
20 the employer shall make contributions

- 21 (1) to the employee's individual account under AS 39.35.730 on behalf  
22 of the employee, without deduction from the employee's disability payments; and
- 23 (2) on behalf of the employee under AS 39.35.750.

24 (e) An employee is not entitled to an occupational disability benefit unless the  
25 employee files an application for an occupational disability benefit with the  
26 administrator within 90 days after the date of terminating employment. If the  
27 employee is unable to meet a filing requirement of this subsection, the filing  
28 requirement may be waived by the administrator if there are extraordinary  
29 circumstances that resulted in the employee's inability to meet the filing requirement.

30 (f) A disabled employee receiving an occupational disability benefit shall  
31 undergo a medical examination as often as the administrator considers advisable, but

1 not more frequently than once each year. The administrator shall determine the place  
2 of the examination and engage the physician or physicians. If, in the judgment of the  
3 administrator, the examination indicates that the retired employee is no longer  
4 incapacitated because of a total and apparently permanent occupational disability, the  
5 administrator may not issue further disability benefits to the employee.

6 (g) A disabled employee's occupational disability benefit terminates when the  
7 disabled employee first attains eligibility for normal retirement. At that time, the  
8 employee's retirement benefit shall be determined under the provisions of  
9 AS 39.35.820 - 39.35.840, 39.35.870, and 39.35.880. An employee receiving  
10 disability benefits up until eligibility for retirement shall be considered to have retired  
11 directly from the plan.

12 (h) Notwithstanding (g) of this section, at the time a peace officer or fire  
13 fighter receiving occupational disability benefits under this section first attains  
14 eligibility for normal retirement, the employee shall irrevocably elect to receive  
15 retirement benefits in the amount calculated as the

16 (1) employee's retirement benefit calculated under the provisions of  
17 AS 39.35.820 - 39.35.840; or

18 (2) employee's retirement benefit calculated as if the provisions of  
19 AS 39.35.370(c) were to apply; however, retirement benefits paid under this paragraph  
20 may not be made from the trust fund of the public employees' defined benefit  
21 retirement plan.

22 (i) Notwithstanding (b)(3) of this section, a peace officer or fire fighter who  
23 retires under (h) of this section is not subject to the requirements of (f) or (j) of this  
24 section during retirement.

25 (j) An employee appointed to disability benefits shall apply to the division of  
26 vocational rehabilitation within 30 days after the date disability benefits commence.  
27 The employee shall be enrolled in a rehabilitation program if the employee meets the  
28 eligibility requirements of the division of vocational rehabilitation. Unless the  
29 employee demonstrates cause, benefits shall terminate at the end of the first month in  
30 which a disabled employee

31 (1) fails to report to the division of vocational rehabilitation;

1 (2) is certified by the division of vocational rehabilitation as failing to  
2 cooperate in a vocational rehabilitation program;

3 (3) fails to interview for a job; or

4 (4) fails to accept a position offered.

5 (k) Upon the death of a disabled employee who is receiving or is entitled to  
6 receive an occupational disability benefit, the administrator shall pay the surviving  
7 spouse a surviving spouse's pension, equal to 40 percent of the employee's monthly  
8 compensation at the termination of employment because of occupational disability. If  
9 there is no surviving spouse, the administrator shall pay the survivor's pension in equal  
10 parts to the dependent children of the employee. The first payment of the surviving  
11 spouse's pension or of a dependent child's pension shall accrue from the first day of  
12 the month following the employee's death and is payable the last day of the month.  
13 The last payment shall be made for the last month in which there is an eligible  
14 surviving spouse or child. On the date the normal retirement of the employee would  
15 have occurred if the employee had lived, the retirement benefit shall be determined  
16 under the provisions of AS 39.35.820 - 39.35.840, 39.35.870, and 39.35.880. An  
17 employee who died while receiving disability benefits shall be considered to have  
18 retired directly from the plan on the date the normal retirement of the employee would  
19 have occurred if the employee had lived.

20 (l) In this section, "occupational disability" has the meaning given in  
21 AS 39.35.680.

22 **Sec. 39.35.892. Occupational death benefit.** (a) If (1) the death of an  
23 employee occurs before the employee's retirement and before the employee's normal  
24 retirement date, (2) the proximate cause of death is a bodily injury sustained or a  
25 hazard undergone while in the performance and within the scope of the employee's  
26 duties, and (3) the injury or hazard is not the proximate result of wilful negligence of  
27 the employee, a monthly survivor's pension shall be paid to the surviving spouse. If  
28 there is no surviving spouse or if the spouse later dies, the monthly survivor's pension  
29 shall be paid in equal parts to the dependent children of the employee.

30 (b) The first payment of the surviving spouse's pension or of a dependent  
31 child's pension shall be made for the month following the month in which the

1 employee dies, and payment shall cease to be made beginning with the month in  
2 which the employee would have first qualified for retirement.

3 (c) The monthly survivor's pension in (b) of this section for survivors of  
4 employees who were not peace officers or fire fighters is 40 percent of the employee's  
5 monthly compensation in the month in which the employee dies. The monthly  
6 survivor's pension in (b) of this section for survivors of employees who were peace  
7 officers or fire fighters is 50 percent of the monthly compensation in the month in  
8 which the employee dies. While the monthly survivor's pension is being paid, the  
9 employer shall make contributions on behalf of the employee's beneficiaries based on  
10 the deceased employee's gross monthly compensation at the time of occupational  
11 death

12 (1) to the employee's individual account under AS 39.35.730, without  
13 deduction from the survivor's pension; and

14 (2) to the appropriate accounts and funds under AS 39.35.750.

15 (d) If an employee's death is caused by an act of assault, assassination, or  
16 terrorism directly related to the person's status as an employee, whether the act occurs  
17 on or off the employee's job site, the death shall be considered to have occurred in the  
18 performance of and within the scope of the employee's duties for purposes of (a)(2) of  
19 this section. If the expressed or apparent motive and intent of the perpetrator of the  
20 harm inflicted upon the employee was due to the performance of the employee's job  
21 duties or employment, the death shall be considered to be directly related to the  
22 employee's status as an employee. An employee's job duties are those performed  
23 within the course and scope of the person's employment with an employer.

24 (e) On the date the normal retirement of the employee would have occurred if  
25 the employee had lived, the retirement benefit shall be determined under the  
26 provisions of AS 39.35.820 - 39.35.840, 39.35.870, and 39.35.880. An employee who  
27 died and whose survivors receive occupational death benefits under this section shall  
28 be considered to have retired directly from the plan on the date the normal retirement  
29 of the employee would have occurred if the employee had lived.

30 **Sec. 39.35.895. Amendment and termination of plan.** (a) The state has the  
31 right to amend the plan at any time and from time to time, in whole or in part,

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

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

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

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

13 **Sec. 39.35.900. Exclusive benefit.** (a) The corpus or income of the assets  
14 held in trust as required by the plan may not be diverted or used for other than the  
15 exclusive benefit of the participants.

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

20 (c) 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. 39.35.910. Nonguarantee of returns, rates, or benefit amounts.** The  
23 plan created by AS 39.35.700 - 39.35.990 is a defined contribution plan, not a defined  
24 benefit plan. The amount of money in the account of a participant depends on the  
25 amount of contributions and the rate of return from investments of the account that  
26 varies over time. If benefits are paid in the form of an annuity, the benefit amount  
27 payable is dependent on the amount of money in the account and the interest rates  
28 applied and service fees charged by the annuity payor at the time benefits are first  
29 paid. Nothing in this plan guarantees a participant

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

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

4 **Sec. 39.35.920. Nonguarantee of employment.** The provisions of  
5 AS 39.35.700 - 39.35.990 are not a contract of employment between an employer and  
6 an employee, nor do they confer a right of an employee to be continued in the  
7 employment of an employer, nor are they a limitation of the right of an employer to  
8 discharge an employee with or without cause.

9 **Sec. 39.35.930. Fraud.** (a) A person who knowingly makes a false statement  
10 or falsifies or permits to be falsified a record of this plan in an attempt to defraud the  
11 plan is guilty of a class A misdemeanor.

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

13 **Sec. 39.35.940. Transfer into defined contribution plan by nonvested**  
14 **members of defined benefit plan.** (a) Subject to (i) of this section, an active  
15 member of the defined benefit retirement plan of the public employees' retirement  
16 system is eligible to participate in the defined contribution retirement plan established  
17 under AS 39.35.700 - 39.35.990, if that member has not vested. Participation in the  
18 defined contribution retirement plan is in lieu of participation in the defined benefit  
19 retirement plan established under AS 39.35.095 - 39.35.680.

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

22 (c) Each eligible member who elects to participate in the defined contribution  
23 retirement plan shall have transferred to a new account the employee contribution  
24 account balance held in trust for the member under the defined benefit retirement plan  
25 of the public employees' retirement system. A matching employer contribution shall  
26 be made on behalf of that employee to the new account. The employer shall make the  
27 matching contribution from funds other than the trust funds of the defined benefit  
28 retirement plan established under AS 39.35.095 - 39.35.680.

29 (d) Upon a transfer, all membership service previously earned under the  
30 defined benefit retirement plan shall be nullified for purposes of entitlement to a future  
31 benefit under the defined benefit retirement plan but shall be credited for purposes of

1 eligibility to elect medical benefits under AS 39.35.870. Membership service allowed  
2 for credit toward medical benefits does not include any service credit purchased for  
3 employment by an employer who is not a participating employer in this chapter.

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

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

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

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

1 calculations to illustrate the effect of moving the employee's retirement plan from the  
 2 defined benefit retirement plan to the defined contribution retirement plan as well as  
 3 other information to clearly inform the employee of the potential consequences of the  
 4 employee's election. An election made under this subsection to participate in the  
 5 defined contribution retirement plan is irrevocable. Upon making the election, the  
 6 participant shall be enrolled as a member of the defined contribution retirement plan,  
 7 the member's participation in the plan shall be governed by the provisions of  
 8 AS 39.35.700 - 39.35.990, and the member's participation in the defined benefit  
 9 retirement plan under AS 39.35.115 shall terminate. The participant's enrollment in  
 10 the defined contribution retirement plan shall be effective the first day of the month  
 11 after the administrator receives the completed enrollment forms. An election made by  
 12 an eligible member who is married is not effective unless the election is signed by the  
 13 individual's spouse.

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

21 (j) In this section,

22 (1) "defined benefit retirement plan" means the retirement plan  
 23 established in AS 39.35.095 - 39.35.680;

24 (2) "defined contribution retirement plan" means the retirement plan  
 25 established in AS 39.35.700 - 39.35.990.

26 **Sec. 39.35.950. Request by political subdivision to participate and**  
 27 **adoption of resolution.** A municipality or other political subdivision of the state may  
 28 request to become an employer in this plan. The request shall be made after adoption  
 29 of a resolution by the legislative body of the political subdivision and after approval of  
 30 the resolution by the person required by law to approve the resolution. A certified  
 31 copy of the resolution shall be filed with the administrator. If the administrator

1 approves the request for participation, the political subdivision is an employer of the  
2 plan.

3 **Sec. 39.35.955. Request by public organization to participate and**  
4 **adoption of resolution.** A public organization may request to become an employer in  
5 this plan. The request shall be made after adoption of a resolution by the governing  
6 body of the public organization. A certified copy of the resolution shall be filed with  
7 the administrator. If the administrator approves the request for participation, the  
8 public organization is an employer of the plan.

9 **Sec. 39.35.960. Membership in teachers' and public employees'**  
10 **retirement systems.** A person who is employed at least half-time in the public  
11 employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990) during the  
12 same period that the person is employed at least half-time in a position in the teachers'  
13 defined contribution retirement plan (AS 14.25.310 - 14.25.590) shall receive credited  
14 service under each plan for half-time employment. However, the amount of credited  
15 service a person receives under the public employees' defined contribution retirement  
16 plan during a school year may not exceed the amount necessary, when added to the  
17 amount of credited service earned during the school year under the teachers' defined  
18 contribution retirement plan, to equal one year of credited service.

19 **Sec. 39.35.965. Army and air national guard employees.** A regular full-  
20 time civilian employee of the Alaska Army National Guard and Air National Guard  
21 whose entire salary is paid from allotted federal funds is included in the public  
22 employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990) if the  
23 federal or state government pays the employer's contributions. If the amount that the  
24 federal government may legally contribute to the plan is lower than the required  
25 employer's contribution, the state government shall contribute the difference. If the  
26 employer's contributions are not paid when due, service credit for the period of  
27 delinquency may not be granted until the contributions are paid.

28 **Sec. 39.35.970. North Pacific Fishery Management Council employees.**  
29 An employee of the North Pacific Fishery Management Council appointed under 16  
30 U.S.C. 1852(f)(1) (Sec. 302(f)(1) of P.L. 94-265) whose compensation is paid from  
31 allotted federal funds is included in the public employees' defined contribution

1 retirement plan (AS 39.35.700 - 39.35.990) if the council pays the employer's  
 2 contributions. If the employer's contributions are not paid when due, credited service  
 3 for the period of delinquency may not be granted until the contributions are paid.

4 **Sec. 39.35.990. Definitions.** In AS 39.35.700 - 39.35.990, unless the context  
 5 requires otherwise,

6 (1) "administrator" means the commissioner of administration or the  
 7 commissioner's designee;

8 (2) "alternate payee" means the person for whom an amount has been  
 9 separated into an account under a qualified domestic relations order;

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

12 (4) "beneficiary" means the person or persons entitled under the  
 13 provisions of this plan to receive benefits after the death of a member or alternate  
 14 payee;

15 (5) "board" has the meaning given in AS 39.35.680;

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

17 (7) "compensation"

18 (A) means

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

23 (ii) the member contribution to the public employees'  
 24 retirement system under AS 39.35.730, employee deferrals under  
 25 AS 39.45.010, the wage reduction amount contributed to the Alaska  
 26 Supplemental Annuity Plan under AS 39.30.150(a), and the wage  
 27 reduction amount contributed to the Alaska Supplemental Benefit Plan  
 28 under AS 39.30.150(c), as those statutes may be amended from time to  
 29 time;

30 (B) does not include retirement benefits, severance pay or other  
 31 separation bonuses, welfare benefits, per diem, expense allowances, workers'

1 compensation payments, payments for leave not used whether those leave  
 2 payments are scheduled payments, lump-sum payments, donations, or cash-ins,  
 3 any remuneration contributed by the employer for or on account of the  
 4 employee under this plan or under any other qualified or nonqualified  
 5 employee benefit plan, any remuneration not specifically included above  
 6 which would have been excluded under 26 U.S.C. 3121(a) (Internal Revenue  
 7 Code) if the employer had remained in the Federal Social Security System, or  
 8 any remuneration paid by the employer in excess of the Social Security  
 9 Taxable Wage Base for the calendar year;

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

19 (8) "dependent child" has the meaning given in AS 39.35.680;

20 (9) "distribution commencement date" has the meaning given in  
 21 AS 39.35.840(a);

22 (10) "employer" means

23 (A) the State of Alaska; or

24 (B) a political subdivision or public organization of the state  
 25 that participates in the plan;

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

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

1 (13) "Internal Revenue Code" means the Internal Revenue Code of  
2 1986, as amended;

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

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

10 (16) "member" means an employee of an employer or former  
11 employee of an employer who retains a right to benefits under the plan, but does not  
12 include full-time or part-time instructors of the Department of Labor and Workforce  
13 Development;

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

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

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

22 (20) "peace officer" or "fire fighter" has the meaning given in  
23 AS 39.35.680;

24 (21) "plan" means the retirement plan established in AS 39.35.700 -  
25 39.35.990;

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

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

1 settlement, that

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

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

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

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

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

13 (F) does not require any type or form of benefit or any option  
14 not otherwise provided by AS 39.35.700 - 39.35.990;

15 (G) does not require an increase of benefits in excess of the  
16 amount provided by AS 39.35.700 - 39.35.990; and

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

20 (24) "retiree" means an eligible person who has elected to receive  
21 medical benefits under AS 39.35.880;

22 (25) "surviving spouse" means the spouse of an employee who has  
23 been married to the employee for at least one year at the time of the employee's death;

24 (26) "system" has the meaning given in AS 39.35.680;

25 (27) "year of service" means the equivalent of 52 weeks of permanent  
26 full-time employment, which may consist of a combination of permanent full-time or  
27 permanent part-time membership service; in this paragraph, "permanent full-time" and  
28 "permanent part-time" have the meanings given in AS 39.35.680.

29 \* **Sec. 123.** AS 39.45.030(a) is amended to read:

30 (a) The Alaska **Retirement Management** [STATE PENSION  
31 INVESTMENT] Board is authorized, subject to contracts with individual employees,

1 to invest the funds held under a deferred compensation program. The board has the  
 2 same powers and duties concerning the management and investment in regard to those  
 3 funds as are provided under **AS 37.10.220** [AS 14.25.180].

4 \* **Sec. 124.** AS 39.45.030(g) is amended to read:

5 (g) In this section, "board" means the Alaska **Retirement Management**  
 6 [STATE PENSION INVESTMENT] Board.

7 \* **Sec. 125.** AS 39.45.060 is amended by adding a new paragraph to read:

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

10 \* **Sec. 126.** AS 39.50.200(a)(9) is amended to read:

11 (9) "public official" means

12 (A) a judicial officer;

13 (B) the governor or the lieutenant governor;

14 (C) a person hired or appointed in a department in the  
 15 executive branch as

16 (i) the head or deputy head of the department;

17 (ii) the director or deputy director of a division;

18 (iii) a special assistant to the head of the department;

19 (iv) a person serving as the legislative liaison for the  
 20 department;

21 (D) an assistant to the governor or the lieutenant governor;

22 (E) the chair or a member of a state commission or board  
 23 [OTHER THAN PHYSICIAN MEMBERS OR ALTERNATES OF THE  
 24 ALASKA TEACHERS' RETIREMENT BOARD APPOINTED UNDER  
 25 AS 14.25.035(a)(2) OR OF THE PUBLIC EMPLOYEES' RETIREMENT  
 26 BOARD APPOINTED UNDER AS 39.35.030(d);]

27 (F) state investment officers and the state comptroller in the  
 28 Department of Revenue;

29 (G) [REPEALED

30 (H)] the chief procurement officer appointed under  
 31 AS 36.30.010;

1                    **(H)** [(I)] the executive director of the Alaska Workforce  
2                    Investment Board; and

3                    **(I)** [(J)] each appointed or elected municipal officer;

4 \* **Sec. 127.** AS 39.50.200(b)(54) is amended to read:

5                    (54) Alaska **Retirement Management** [STATE PENSION  
6                    INVESTMENT] Board (AS 37.10.210);

7 \* **Sec. 128.** AS 44.25.020(2) is amended to read:

8                    (2) collect, account for, have custody of, invest, and manage all state  
9                    funds and all revenues of the state except revenues incidental to a program of licensing  
10                    and regulation carried on by another state department, funds managed and invested by  
11                    the Alaska **Retirement Management** [STATE PENSION INVESTMENT] Board,  
12                    and as otherwise provided by law;

13 \* **Sec. 129.** AS 44.25.028(a) is amended to read:

14                    (a) The commissioner of revenue may designate employees of the Department  
15                    of Revenue who are subject to the provisions of AS 39.50 because of their  
16                    responsibility for participating in the management or investment of the funds for  
17                    which the Alaska **Retirement Management** [STATE PENSION INVESTMENT]  
18                    Board is responsible.

19 \* **Sec. 130.** AS 44.25.028(b) is amended to read:

20                    (b) If an officer or employee of the Department of Revenue with responsibility  
21                    for funds for which the Alaska **Retirement Management** [STATE PENSION  
22                    INVESTMENT] Board is responsible acquires, owns, or controls an interest, direct or  
23                    indirect, in an entity or project in which assets under the control of the board are  
24                    invested, the officer or employee shall immediately disclose the interest to the board.  
25                    The disclosure is a matter of public record and shall be included in the minutes of the  
26                    board meeting next following the disclosure. The commissioner shall adopt  
27                    regulations to restrict officers and employees of the department from having a  
28                    substantial interest in an entity or project in which assets under the control of the board  
29                    are invested.

30 \* **Sec. 131.** AS 44.64.030(a) is amended by adding new paragraphs to read:

31                    (36) AS 14.25.006 (teachers' retirement system);

1 (37) AS 39.35.006 (public employees' retirement system).

2 \* **Sec. 132.** AS 14.25.012(a), 14.25.015, 14.25.020, 14.25.022, 14.25.030, 14.25.035,  
3 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);  
4 AS 39.35.010, 39.35.020, 39.35.030, 39.35.040, 39.35.042, 39.35.047, 39.35.060, 39.35.080,  
5 39.35.090, 39.35.520(c), 39.35.522(c), 39.35.522(e); AS 39.45.025; AS 39.50.200(b)(23), and  
6 39.50.200(b)(29) are repealed.

7 \* **Sec. 133.** AS 14.25.061(c), 14.25.062; and AS 39.35.350 are repealed.

8 \* **Sec. 134.** The uncodified law of the State of Alaska is amended by adding a new section  
9 to read:

10 EMPLOYER CONTRIBUTIONS FOR OCCUPATIONAL DISABILITY AND  
11 DEATH BENEFITS IN THE PUBLIC EMPLOYEES' DEFINED CONTRIBUTION  
12 RETIREMENT PLAN FOR THE FIRST FISCAL YEAR THE PLAN IS IN EFFECT.  
13 Notwithstanding AS 39.35.750(e), added by sec. 122 of this Act, for the first fiscal year in  
14 which the public employees' defined contribution retirement plan is in effect, the employer  
15 contribution to fully fund the cost of providing occupational disability and occupational death  
16 benefits under AS 39.35.890 and 39.35.892 shall be equal to

17 (1) 0.4 percent of the compensation for peace officers and fire fighters; and

18 (2) 0.3 percent of the compensation for all other employees.

19 \* **Sec. 135.** The uncodified law of the State of Alaska is amended by adding a new section  
20 to read:

21 TRANSITION: INITIAL STAGGERED TERMS OF TRUSTEES OF THE  
22 ALASKA RETIREMENT MANAGEMENT BOARD. Notwithstanding AS 37.10.210(c), as  
23 repealed and reenacted by sec. 58 of this Act, the terms of the initially appointed trustees of  
24 the Alaska Retirement Management Board who are not commissioners shall be set by the  
25 governor to achieve staggered terms in the manner provided for seven-member boards by  
26 AS 39.05.055(5). Notwithstanding AS 39.05.055(5), the terms of each of the two members of  
27 the two retirement systems appointed under AS 37.10.210(b)(2)(C) and 37.10.210(b)(2)(D),  
28 as repealed and reenacted by sec. 58 of this Act, shall be set so that the term of one of each of  
29 the members in each system expires two years apart from the term of the other member  
30 representing that system.

31 \* **Sec. 136.** The uncodified law of the State of Alaska is amended by adding a new section

1 to read:

2 TERMS OF MEMBERS OF THE ALASKA TEACHERS' RETIREMENT BOARD  
3 AND THE PUBLIC EMPLOYEES' RETIREMENT BOARD. The terms of all board  
4 members appointed to the Alaska Teachers' Retirement Board and the Public Employees'  
5 Retirement Board expire on the effective date of this section.

6 \* **Sec. 137.** The uncodified law of the State of Alaska is amended by adding a new section  
7 to read:

8 TERMS OF MEMBERS OF THE ALASKA STATE PENSION INVESTMENT  
9 BOARD. The terms of all board members appointed to the Alaska State Pension Investment  
10 Board expire on September 30, 2005.

11 \* **Sec. 138.** The uncodified law of the State of Alaska is amended by adding a new section  
12 to read:

13 TRANSITION OF DUTIES BETWEEN THE ALASKA STATE PENSION  
14 INVESTMENT BOARD AND THE ALASKA RETIREMENT MANAGEMENT BOARD.

15 (a) After the effective date of this section and until September 30, 2005, the Alaska State  
16 Pension Investment Board shall continue to exercise the powers and duties assigned in this  
17 Act to the Alaska Retirement Management Board. The Alaska State Pension Investment  
18 Board shall take actions to facilitate the transition of duties formerly assigned to the Alaska  
19 State Pension Investment Board to the duties assigned in this Act to the Alaska Retirement  
20 Management Board. A member of the Alaska Retirement Management Board appointed to  
21 serve as a trustee before September 30, 2005, shall be invited to observe and train with the  
22 Alaska State Pension Investment Board.

23 (b) The Alaska Retirement Management Board may not assume the duties and  
24 responsibilities assigned to the Alaska Retirement Management Board in this Act until  
25 October 1, 2005.

26 \* **Sec. 139.** The uncodified law of the State of Alaska is amended by adding a new section  
27 to read:

28 TRANSITION. Hearings and other proceedings pending under a law amended or  
29 repealed by this Act or in connection with functions transferred by this Act continue in effect  
30 and may be continued and completed notwithstanding a transfer or amendment or repeal  
31 provided for in this Act. Orders and regulations issued or adopted under authority of a law

1 amended or repealed by this Act remain in effect for the term issued, or until revoked,  
 2 vacated, or otherwise modified under the provisions of this Act. Contracts, rights, liabilities,  
 3 and obligations created by or under a law amended or repealed by this Act, and in effect on  
 4 the effective date of this section, remain in effect notwithstanding this Act's taking effect.  
 5 Records, equipment, appropriations, funds, and other property of boards or agencies of the  
 6 state whose functions are transferred under this Act shall be transferred to implement the  
 7 provisions of this Act.

8 \* **Sec. 140.** The uncodified law of the State of Alaska is amended by adding a new section  
 9 to read:

10 TRANSITION: REGULATIONS. (a) The Department of Administration and the  
 11 Department of Revenue may proceed to develop and adopt regulations required to implement  
 12 this Act.

13 (b) Regulations adopted by the Department of Administration and the Department of  
 14 Revenue under this Act relate to the internal management of a state agency, and the adoption  
 15 of the regulations is not subject to AS 44.62 (Administrative Procedure Act).

16 \* **Sec. 141.** The uncodified law of the State of Alaska is amended by adding a new section  
 17 to read:

18 REPORT TO THE LEGISLATURE BY ALASKA RETIREMENT MANAGEMENT  
 19 BOARD. It is the intent of the legislature that there will be a moratorium after the effective  
 20 date of this Act on legislation affecting all public employees' retirement plans until the Alaska  
 21 Retirement Management Board can present a report to the legislature containing the board's  
 22 assessment and recommendations as provided in this section. The Alaska Retirement  
 23 Management Board shall report to the legislature 120 days after all members are appointed to  
 24 the board, or 15 days after the first day of the first regular legislative session following the  
 25 effective date of this section, whichever is first. The report must include the board's

26 (1) preliminary assessment of the financial health of all public employees'  
 27 retirement plans and all teachers' retirement plans;

28 (2) assessment of the actuarial services purchased by the board;

29 (3) recommendations for additional legislative or administrative policy to  
 30 improve the financial health of the retirement plans;

31 (4) short-term and long-term recommendations for addressing the unfunded

1 liability of the retirement plans; and

2 (5) recommendations for legislative procedures regarding fiscal notes for new  
3 legislation affecting the retirement plans.

4 \* **Sec. 142.** The uncodified law of the State of Alaska is amended by adding a new section  
5 to read:

6 REPORT TO THE LEGISLATURE ON HEALTH CARE COST-SAVING  
7 MEASURES. The Department of Administration shall provide an annual report to the  
8 legislature regarding the cost-saving measures it has implemented by regulation appropriate to  
9 current and future retirees in the health care system.

10 \* **Sec. 143.** The uncodified law of the State of Alaska is amended by adding a new section  
11 to read:

12 INSTRUCTION REGARDING ALASKA TEACHERS' RETIREMENT SYSTEM  
13 BOARD, ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM BOARD, AND  
14 ALASKA STATE PENSION INVESTMENT BOARD. Wherever in the Alaska Statutes and  
15 the Alaska Administrative Code the terms "Alaska Teachers' Retirement System Board,"  
16 "Alaska Public Employees' Retirement System Board," or "Alaska State Pension Investment  
17 Board" are used, they shall be read as "Alaska Retirement Management Board" when to do so  
18 would be consistent with the changes made by this Act.

19 \* **Sec. 144.** The uncodified law of the State of Alaska is amended by adding a new section  
20 to read:

21 SPECIFIC INSTRUCTIONS TO REVISOR OF STATUTES CONCERNING  
22 SPECIFIC REFERENCES. (a) The revisor of statutes shall change references to "this  
23 chapter" to "AS 14.25.009 - 14.25.220" in the following statutes: AS 14.25.040(b),  
24 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),  
25 14.25.105, 14.25.107, 14.25.110(k), 14.25.142, 14.25.150(b), 14.25.153, 14.25.160(h),  
26 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  
27 in 14.25.220 in each place that the phrase appears.

28 (b) The revisor of statutes shall change the reference to "board" to "administrator" in  
29 the following statutes: AS 14.25.075 and 14.25.130(f).

30 (c) The revisor of statutes shall change the reference to "system" to "plan" in the  
31 following statutes: AS 14.25.040(b), 14.25.040(c), 14.25.045, 14.25.047, 14.25.050(a),

1 14.25.055, 14.25.060, 14.25.061(a), 14.25.062, 14.25.063(a), 14.25.065, 14.25.070,  
 2 14.25.075(c), 14.25.075(d), 14.25.075(g), 14.25.075(h), 14.25.075(i), 14.25.100(a),  
 3 14.25.105(c), 14.25.107, 14.25.110, 14.25.125(c), 14.25.143, 14.25.163, 14.25.165(i),  
 4 14.25.167(g), 14.25.168, 14.25.169, 14.25.173(a), 14.25.173(d), 14.25.181, 14.25.200,  
 5 14.25.210, 14.25.220(1), 14.25.220(4), 14.25.220(7), 14.25.220(14), 14.25.220(20),  
 6 14.25.220(22), 14.25.220(23), 14.25.220(31), 14.25.220(34), 14.25.220(36), 14.25.220(37),  
 7 14.25.220(42); AS 39.35.011; AS 39.35.120, 39.35.125, 39.35.160, 39.35.165(a),  
 8 39.35.165(c), 39.35.165(d), 39.35.165(e), 39.35.165(g), 39.35.165(h), 39.35.165(i),  
 9 39.35.170, 39.35.180, 39.35.195(b), 39.35.195(c), 39.35.250, 39.35.280, 39.35.300(c),  
 10 39.35.310(a), 39.35.310(c), 39.35.340(a), 39.35.342(a), 39.35.342(d), 39.35.345(a),  
 11 39.35.345(d), 39.35.360(a), 39.35.360(g), 39.35.360(h), 39.35.360(k), 39.35.370(f),  
 12 39.35.370(h), 39.35.370(i), 39.35.370(j), 39.35.370(k), 39.35.371(i), 39.35.381(b),  
 13 39.35.381(g), 39.35.385(c), 39.35.400(e), 39.35.450(g), 39.35.475(a), 39.35.475(b),  
 14 39.35.475(d), 39.35.500(a), 39.35.505, 39.35.520(a), 39.35.520(d), 39.35.522(d),  
 15 39.35.527(a), 39.35.527(b), 39.35.530, 39.35.535(a), 39.35.535(d), 39.35.550, 39.35.560,  
 16 39.35.570, 39.35.580, 39.35.590, 39.35.600, 39.35.610, 39.35.620(a), 39.35.620(h),  
 17 39.35.650, 39.35.670, 39.35.675(a), 39.35.680(1), 39.35.680(5), 39.35.680(9), 39.35.680(12),  
 18 39.35.680(15), 39.35.680(16), 39.35.680(17), 39.35.680(20), 39.35.680(21)(A),  
 19 39.35.680(29), 39.35.680(32), 39.35.680(33), and 39.35.680(35).

20 (d) The revisor of statutes shall change the reference to "board" to "commissioner" in  
 21 the following statutes: AS 39.35.290, 39.35.522(a), 39.35.522(b), and 39.35.522(d).

22 (e) The revisor of statutes shall change references to "this chapter" to "AS 39.35.095 -  
 23 39.35.680" in the following statutes: AS 39.35.165, 39.35.200, 39.35.250, 39.35.300,  
 24 39.35.340, 39.35.350, 39.35.360, 39.35.370, 39.35.371, 39.35.375, 39.35.381, 39.35.480,  
 25 39.35.490, 39.35.495, 39.35.505, 39.35.530, 39.35.546, 39.35.547, 39.35.615(c),  
 26 39.35.620(e), 39.35.660, 39.35.675(b), 39.35.677, and 39.35.680.

27 (f) The revisor of statutes shall renumber AS 39.35.690 to follow AS 39.35.990.

28 \* **Sec. 145.** The uncodified law of the State of Alaska is amended by adding a new section  
 29 to read:

30 IMPLEMENTATION OF SECTIONS 143 AND 144 OF THIS ACT. Under  
 31 AS 01.05.031, the revisor of statutes shall implement secs. 143 and 144 of this Act in the

1 Alaska Statutes, and, under AS 44.62.125(b)(6), the regulations attorney shall implement secs.  
2 143 and 144 of this Act in the administrative code.

3 \* **Sec. 146.** The uncodified law of the State of Alaska is amended by adding a new section  
4 to read:

5 **CONDITIONAL RETROACTIVITY.** If secs. 1, 3 - 7, 9 - 11, 14, 17 - 20, 23 - 34, 36  
6 - 39, 41 - 45, 47 - 60, 62 - 68, 70 - 79, 81, 83 - 88, 95 - 106, 108 - 112, 114, 115, 117 - 121,  
7 123 - 132, and 135 - 144 of this Act take effect after July 1, 2005, secs. 1, 3 - 7, 9 - 11, 14, 17  
8 - 20, 23 - 34, 36 - 39, 41 - 45, 47 - 60, 62 - 68, 70 - 79, 81, 83 - 88, 95 - 106, 108 - 112, 114,  
9 115, 117 - 121, 123 - 132, and 135 - 144 of this Act are retroactive to July 1, 2005.

10 \* **Sec. 147.** Sections 22 and 116 of this Act take effect January 1, 2006.

11 \* **Sec. 148.** Sections 2, 8, 35, 40, 46, 61, 69, 80, 82, 122, and 134 of this Act take effect  
12 July 1, 2006.

13 \* **Sec. 149.** Sections 12, 13, 15, 16, 21, 89 - 94, 107, 113, and 133 of this Act take effect  
14 June 30, 2010.

15 \* **Sec. 150.** Section 145 of this Act takes effect immediately under AS 01.10.070(c).

16 \* **Sec. 151.** Except as provided in secs. 147 - 150 of this Act, this Act takes effect July 1,  
17 2005.