

HOUSE BILL NO. 204

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIFTH LEGISLATURE - FIRST SESSION

BY THE HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 3/16/07

Referred: House Special Committee on Ways and Means, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the public employees' and teachers' defined benefit retirement
2 plans; relating to the public employees' and teachers' defined contribution retirement
3 plans; relating to the judicial retirement system; relating to the health reimbursement
4 arrangement plan for certain teachers and public employees; relating to the
5 supplemental employee benefit program; relating to the public employees' deferred
6 compensation program; relating to group insurance for public employees and retirees;
7 making conforming amendments; and providing for an effective date."

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

9 * **Section 1.** AS 14.25.065(b) is amended to read:

10 (b) The contributions of employers under AS 14.25.070 must be transmitted to
11 the plan for deposit in the retirement fund **and the Alaska retiree health care trust** at
12 the close of each pay period. If the contributions are not submitted within **the**
13 **prescribed time limit** [15 DAYS OF THE CLOSE OF EACH PAYROLL PERIOD],

1 interest must be assessed on the outstanding contributions at one and one-half times
 2 the most recent actuarially determined rate of earnings for the plan from the date that
 3 contributions were originally due. In addition, the amount of [THE] contributions and
 4 interest **due** may be **claimed by the administrator from** [DEDUCTED BY] the
 5 Department of Education and Early Development from the state funds due the school
 6 district [AND THE AMOUNT SO DEDUCTED TRANSMITTED TO THE PLAN
 7 FOR DEPOSIT IN THE RETIREMENT FUND]. Amounts due from **an employer**
 8 [THE UNIVERSITY OF ALASKA] and interest as prescribed in this section may be
 9 **claimed** [DEDUCTED] by the **administrator** [COMMISSIONER OF
 10 ADMINISTRATION] from any **agency of the state or political subdivision that has**
 11 **in its possession funds of the employer or that is authorized to disburse funds to**
 12 **the employer that are not restricted by statute or appropriation to a specific**
 13 **purpose. The amount claimed shall be certified by the administrator as sufficient**
 14 **to pay the contributions and interest due from the employer. The amount**
 15 **claimed shall be submitted to the administrator for deposit in the retirement fund**
 16 **and the Alaska retiree health care trust** [STATE FUNDS DUE THE UNIVERSITY
 17 OF ALASKA AND THE AMOUNT DEDUCTED TRANSMITTED TO THE
 18 ADMINISTRATOR FOR DEPOSIT IN THE RETIREMENT FUND].

19 * **Sec. 2.** AS 14.25.070(a) is amended to read:

20 (a) An employer shall make contributions to the plan **in accordance with this**
 21 **section and as approved by the board** in an amount sufficient, after subtracting
 22 member contributions, to provide the benefits of AS 14.25.009 - 14.25.220. The
 23 amount shall be calculated by applying **the sum of the employer normal cost rate**
 24 **and the past service rate to the sum total of the base salaries paid to members in**
 25 **the system** [AN EMPLOYER CONTRIBUTION RATE, CERTIFIED BY THE
 26 BOARD, AGAINST THE SUM TOTAL OF THE BASE SALARIES PAID TO
 27 MEMBERS], including any adjustments to contributions required by AS 14.25.173(a).
 28 **The employer shall remit this amount to the administrator in accordance with**
 29 **AS 14.25.065.**

30 * **Sec. 3.** AS 14.25.070 is amended by adding new subsections to read:

31 (d) Employer contributions shall be separately computed for benefits provided

1 by AS 14.25.168, and shall be deposited in the Alaska retiree health care trust
2 established under AS 39.30.097(a).

3 (e) In (a) of this section,

4 (1) "employer normal cost rate" means the percentage of compensation
5 of all active members in the system that, when combined with the member
6 contribution rate of active members in the plan, is sufficient to provide the benefits
7 that are expected to be credited with respect to service during the year beginning after
8 the last valuation date; this percentage is uniformly determined for all employers and
9 is applicable to each employer;

10 (2) "past service rate" means the percentage of compensation of all
11 active members in the system necessary to provide the annual amount required to
12 amortize the unfunded obligations of the employers for benefits earned by members in
13 the plan as of the date of the last actuarial valuation over a period not to exceed the
14 maximum period allowed by generally accepted accounting principles of the
15 Governmental Accounting Standards Board; this percentage is uniformly determined
16 for all employers and is applicable to each employer.

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

18 (f) The administrator may accept rollover contributions from a member, and
19 direct transfers as described in this subsection, for the purchase, in whole or in part, of
20 forfeited credited service under this section for the reinstatement, in whole or in part,
21 of forfeited credited service under AS 14.25.062. Contributions made under this
22 subsection may not be applied to purchase service being paid under (b) of this section.
23 A rollover contribution or transfer as described in this subsection shall be treated as
24 employer contributions for the purpose of determining tax treatment under the Internal
25 Revenue Code and may be made by any one or a combination of the following
26 methods:

27 (1) subject to the limitations prescribed in 26 U.S.C. 402(c), accepting
28 eligible rollover distributions directly from one or more **eligible** retirement **plans as**
29 **defined by 26 U.S.C. 402(c)(8)(B)** [PROGRAMS OF ANOTHER EMPLOYER
30 THAT ARE QUALIFIED UNDER 26 U.S.C. 401(a) OR ACCEPTING
31 ROLLOVERS DIRECTLY FROM A MEMBER];

1 (2) [SUBJECT TO THE LIMITATIONS PRESCRIBED IN 26 U.S.C.
2 408(d)(3)(A)(ii), ACCEPTING FROM A MEMBER CONDUIT ROLLOVER
3 CONTRIBUTIONS THAT ARE RECEIVED BY THE MEMBER FROM ONE OR
4 MORE CONDUIT ROLLOVER INDIVIDUAL RETIREMENT ACCOUNTS
5 PREVIOUSLY ESTABLISHED BY THE MEMBER;

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

10 (3) [(4)] subject to the limitations prescribed in 26 U.S.C. 457(e)(17),
11 accepting direct trustee-to-trustee transfers of all or a portion of the accounts of the
12 member, on or after January 1, 2002, from an eligible deferred compensation plan of a
13 tax-exempt organization or a state or local government described in 26 U.S.C. 457(b);

14 (4) [(5)] accepting direct trustee-to-trustee transfer from an account
15 established for the benefit of the member in AS 39.30.150 - 39.30.180 (Alaska
16 Supplemental Annuity Plan).

17 * **Sec. 5.** AS 14.25.075(f) is amended to read:

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

28 (1) subject to the limitations prescribed in 26 U.S.C. 402(c), accepting
29 eligible rollover distributions directly from one or more eligible retirement plans as
30 defined by 26 U.S.C. 402(c)(8)(B);

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

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

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

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

11 * **Sec. 6.** AS 14.25.125(c) is amended to read:

12 (c) Membership service for which contributions were refunded is not
 13 creditable under this section [UNLESS THE REFUNDED CONTRIBUTIONS HAVE
 14 BEEN REPAID. FOR PURPOSES OF THIS SECTION, A MEMBER OR FORMER
 15 MEMBER DOES NOT HAVE TO BE REEMPLOYED UNDER THIS PLAN IN
 16 ORDER TO REPAY REFUNDED CONTRIBUTIONS. COMPOUND INTEREST
 17 AT THE RATE PRESCRIBED BY REGULATION MUST BE ADDED TO THE
 18 REINSTATEMENT INDEBTEDNESS FROM THE DATE OF THE REFUND TO
 19 THE DATE OF REPAYMENT].

20 * **Sec. 7.** AS 14.25.163(b) is amended to read:

21 (b) Except as provided by **AS 14.25.075(f)** [AS 14.25.075(f)(5)], the plan does
 22 not accept contributions of eligible rollover distributions.

23 * **Sec. 8.** AS 14.25.163(c)(2) is amended to read:

24 (2) "distributee" means a member or a beneficiary who is the surviving
 25 spouse of the member **or an alternate payee;**

26 * **Sec. 9.** AS 14.25.163(c)(3) is amended to read:

27 (3) "eligible retirement plan"

28 [(A)] means

29 **(A)** [(i)] an individual retirement account described in 26
 30 U.S.C. 408(a);

31 **(B)** [(ii)] an individual retirement annuity defined in 26 U.S.C.

1 408(b);

2 (C) [(iii)] an annuity plan described in 26 U.S.C. 403(a);

3 (D) [(iv)] a qualified trust described in 26 U.S.C. 401(a);

4 (E) [(v)] on and after January 1, 2002, an annuity plan
5 described in 26 U.S.C. 403(b); [OR]

6 (F) [(vi)] on or after January 1, 2002, a governmental plan
7 described in 26 U.S.C. 457(b); or

8 **(G) on or after January 1, 2008, a Roth IRA described in 26**
9 **U.S.C. 408A** [AND

10 (B) NOTWITHSTANDING (A) OF THIS PARAGRAPH,
11 MEANS, WITH RESPECT TO DISTRIBUTIONS MADE BEFORE
12 JANUARY 1, 2002, AN INDIVIDUAL RETIREMENT ACCOUNT OR AN
13 INDIVIDUAL RETIREMENT ANNUITY ACCOUNT DESCRIBED OR
14 DEFINED IN 26 U.S.C. 408 IN THE CASE OF AN ELIGIBLE ROLLOVER
15 DISTRIBUTION TO A BENEFICIARY WHO IS THE SURVIVING
16 SPOUSE OF A MEMBER];

17 * **Sec. 10.** AS 14.25.163(c)(4) is amended to read:

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

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

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

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

28 (D) the portion of any distribution that is not includable in
29 gross income; **however, such portion may be transferred only to an**
30 **individual retirement account or annuity described in 26 U.S.C. 408(a) or**
31 **(b), to a qualified plan described in 26 U.S.C. 401(a) or 403(a), or to an**

1 annuity contract described in 26 U.S.C. 403(b), that agrees to separately
 2 account for amounts so transferred, including separately accounting for
 3 the portion of the distribution that is includable in gross income and the
 4 portion of the distribution that is not so includable; and

5 (E) [A DISTRIBUTION MADE ON OR AFTER JANUARY
 6 1, 2002, THAT IS ON ACCOUNT OF HARDSHIP; AND

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

9 * **Sec. 11.** AS 14.25.168 is amended by adding a new subsection to read:

10 (f) On and after July 1, 2007, benefits under this section shall be provided in
 11 part by the Alaska retiree health care trust established under AS 39.30.097(a).

12 * **Sec. 12.** AS 14.25.181(b) is amended to read:

13 (b) If, upon termination of the plan, all liabilities are satisfied, any excess
 14 assets [ARISING FROM ERRONEOUS ACTUARIAL COMPUTATION] shall
 15 revert to the employers **as determined by the administrator subject to the approval**
 16 **of the termination by the Internal Revenue Service** [ON A PRO RATA BASIS].

17 * **Sec. 13.** AS 14.25.181 is amended by adding new subsections to read:

18 (c) The administrator shall use forfeitures that arise for any reason, including
 19 from termination of employment or death, to reduce employer contributions.
 20 Forfeitures may not be applied to increase the benefits of any member.

21 (d) The administrator shall determine the amount of any benefit that is
 22 determined on the basis of actuarial tables using assumptions approved by the
 23 commissioner. The amount of benefits is not subject to employer discretion.

24 (e) Employee contributions paid to, and retirement benefits paid from, the plan
 25 may not exceed the annual limits on contributions and benefits, respectively, allowed
 26 by 26 U.S.C. 415. Notwithstanding any contrary provision of law, the administrator
 27 may modify a request by a member to make a contribution to the plan if the amount of
 28 the contribution would exceed the limits provided in 26 U.S.C. 415 by using the
 29 following methods:

30 (1) if the law requires a lump sum payment for the purchase of service
 31 credit, the administrator may establish a periodic payment plan for the member to

1 avoid a contribution in excess of the limits under 26 U.S.C. 415(c) or (n);

2 (2) if a periodic payment plan under (1) of this subsection will not
3 avoid a contribution in excess of the limits imposed by 26 U.S.C. 415(c), the
4 administrator may either reduce the member's contribution to an amount within the
5 limits of that section or refuse the member's contribution.

6 * **Sec. 14.** AS 14.25.220(10) is amended to read:

7 (10) "compensation" means the total remuneration paid under contract
8 to a member for services rendered during a school year, including cost-of-living
9 differentials, payments for leave that is actually used by the member, the amount by
10 which the member's wages are reduced under AS 39.30.150(c), **an amount that is**
11 **contributed by the employer under a salary reduction agreement and that is not**
12 **includable in the gross income of the employee under 26 U.S.C. 125 or 132(f)(4),**
13 and the amount deferred under an employer-sponsored deferred compensation plan or
14 the tax shelter annuity plan approved by the Department of Education and Early
15 Development, but does not include retirement benefits, welfare benefits, per diem,
16 expense allowances, workers' compensation payments, or payments for leave not used
17 by the member, whether those leave payments are scheduled payments, lump-sum
18 payments, donations, or cash-ins; for purposes of AS 14.25.050, compensation paid
19 includes any payment made after June 30 of a school year for services rendered before
20 the end of the school year;

21 * **Sec. 15.** AS 14.25.220(16) is amended to read:

22 (16) "employer" means a public school district, the Board of Regents
23 of the University of Alaska, the Department of Education and Early Development,
24 [THE NATIONAL EDUCATION ASSOCIATION OF ALASKA,] the Regional
25 Resource Centers, or the state legislature with respect to a state legislator who elects
26 membership under AS 14.25.040(b);

27 * **Sec. 16.** AS 14.25.310 is amended to read:

28 **Sec. 14.25.310. Applicability of AS 14.25.310 - 14.25.590.** The provisions of
29 AS 14.25.310 -14.25.590 apply only to teachers who first become members on or after
30 July 1, 2006, **members who are employed by employers that do not participate in**
31 **the defined benefit retirement plan established under AS 14.25.009 - 14.25.220,** or

1 to members who transfer into the defined contribution **retirement** plan under
2 AS 14.25.540.

3 * **Sec. 17.** AS 14.25.310 is amended to read:

4 **Sec. 14.25.310. Applicability of AS 14.25.310 - 14.25.590.** The provisions of
5 AS 14.25.310 -14.25.590 apply only to teachers who first become members on or after
6 July 1, 2006, members who are employed by employers that do not participate in the
7 defined benefit retirement plan established under AS 14.25.009 - 14.25.220, **former**
8 **members under AS 14.25.220,** or to members who transfer into the defined
9 contribution retirement plan under AS 14.25.540.

10 * **Sec. 18.** AS 14.25.320(c) is amended to read:

11 (c) The defined contribution retirement plan is intended to qualify under 26
12 U.S.C. 401(a), [AND] 414(d), **and 414(k)** (Internal Revenue Code) as a qualified
13 retirement plan established and maintained by the state for its employees and for the
14 employees of school districts and regional educational attendance areas in the state.
15 **Benefits under AS 14.25.480 are not provided by the defined contribution**
16 **retirement plan.**

17 * **Sec. 19.** AS 14.25.350(b) is amended to read:

18 (b) An employer shall also contribute an amount equal to a percentage, as
19 **approved** [CERTIFIED] by the board, of each member's compensation from July 1 to
20 the following June 30 to pay for retiree major medical insurance. This contribution
21 shall be paid into the **Alaska retiree health care trust** [GROUP HEALTH AND
22 LIFE BENEFITS FUND] established by the commissioner of administration under
23 **AS 39.30.097(b)** [AS 39.30.095] and shall be accounted for in accordance with
24 regulations **adopted** [ESTABLISHED] by the commissioner.

25 * **Sec. 20.** AS 14.25.350 is amended by adding a new subsection to read:

26 (e) An employer shall make annual contributions to a trust account in the plan,
27 applied as a percentage of each member's compensation from July 1 to the following
28 June 30, in an amount determined by the board to be actuarially required to fully fund
29 the cost of providing occupational disability and occupational death benefits under
30 AS 14.25.310 - 14.25.590.

31 * **Sec. 21.** AS 14.25.360(d)(3) is amended to read:

1 (3) "eligible retirement plan" means

2 (A) an [A CONDUIT] individual retirement account described
3 in 26 U.S.C. 408(d)(3)(A);

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

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

6 (D) an annuity plan described in 26 U.S.C. 403(b); [OR]

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

8 **(F) an individual retirement annuity described in 26 U.S.C.**

9 **408(b); or**

10 **(G) on or after January 1, 2008, a Roth IRA described in 26**

11 **U.S.C. 408A;**

12 * **Sec. 22.** AS 14.25.360(d)(4) is amended to read:

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

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

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

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

23 (D) the portion of any distribution that is not includable in
24 gross income; **however, such portion may be transferred only to an**
25 **individual retirement account or annuity described in 26 U.S.C. 408(a) or**
26 **(b), to a qualified plan described in 26 U.S.C. 401(a) or 403(a), or to an**
27 **annuity contract described in 26 U.S.C. 403(b), that agrees to separately**
28 **account for amounts so transferred, including separately accounting for**
29 **the portion of the distribution that is includable in gross income and the**
30 **portion of the distribution that is not so includable; and**

31 (E) [A DISTRIBUTION THAT IS ON ACCOUNT OF

1 HARDSHIP; AND

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

4 * **Sec. 23.** AS 14.25.370 is amended to read:

5 **Sec. 14.25.370. Transmittal of contributions.** All contributions deducted in
6 accordance with AS 14.25.310 - 14.25.590 shall be transmitted to the plan for deposit
7 in the **appropriate account or trusts** [TRUST FUND] as soon as administratively
8 feasible, but in no event later than 15 days following the close of the payroll period,
9 **with the final contributions due for any school year transmitted no later than**
10 **July 15.**

11 * **Sec. 24.** AS 14.25.370 is amended by adding new subsections to read:

12 (b) If contributions are not transmitted within the prescribed time limit,
13 interest shall be assessed on the outstanding contributions at the rate established under
14 AS 14.25.065 from the date that contributions were originally due. In addition, the
15 amount of contributions and interest due may be claimed by the administrator from the
16 Department of Education and Early Development from the state funds due the school
17 district. Amounts due from an employer and interest as prescribed in this subsection
18 may be claimed by the administrator from any agency of the state or political
19 subdivision that has in its possession funds of the employer or that is authorized to
20 disburse funds to the employer that are not restricted by statute or appropriation to a
21 specific purpose. The amount claimed shall be certified by the administrator as
22 sufficient to pay the contributions and interest due from the employer. The amount
23 claimed shall be submitted to the administrator for deposit in the appropriate account
24 or trusts.

25 (c) Employers are responsible for administrative fees, investment fees, and
26 investment losses charged to accounts established under AS 14.25.340 resulting from
27 contribution adjustments due to employers enrolling members in the plan before the
28 members are eligible for membership. Contributions made by employees shall be
29 returned to the employer by reducing future employee contributions due.
30 Contributions, net of fees and investment losses, made by employers shall be used to
31 reduce future employer contributions due.

1 * **Sec. 25.** AS 14.25.380 is amended to read:

2 **Sec. 14.25.380. Limitations on contributions and benefits.** Notwithstanding
 3 any other provisions of this plan, the annual additions to each member's individual
 4 account under this plan and under all defined contribution plans of the employer
 5 required to be aggregated with the contributions from this plan under the provisions of
 6 26 U.S.C. 415 may not exceed, for any limitation year, the amount permitted under **26**
 7 **U.S.C. 415(c)** [26 U.S.C. 415] at any time. If the amount of a member's **individual**
 8 **account** [DEFINED CONTRIBUTION PLAN] contributions exceeds the limitation of
 9 26 U.S.C. 415(c) for any limitation year, the administrator shall take any necessary
 10 remedial action to correct an excess contribution. **A fixed benefit provided under**
 11 **this plan may not exceed, for or during a limitation year, the amount permitted**
 12 **under 26 U.S.C. 415(b). If a fixed benefit provided under this plan exceeds, for or**
 13 **during a limitation year, the amount permitted under 26 U.S.C. 415(b), the**
 14 **administrator shall take remedial action necessary to comply with the limits on**
 15 **the benefit amount in 26 U.S.C. 415(b).** The provisions of 26 U.S.C. 415, and the
 16 regulations adopted under that statute, as applied to qualified [DEFINED
 17 CONTRIBUTION] plans of governmental **employers** [EMPLOYEES] are
 18 incorporated as part of the terms and conditions of the plan.

19 * **Sec. 26.** AS 14.25.485(b) is amended to read:

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

26 (1) dies;

27 (2) recovers from the disability;

28 (3) fails to meet the requirements under (f), [OR] (h), **or (j)** of this

29 section; or

30 (4) reaches normal retirement age.

31 * **Sec. 27.** AS 14.25.485(d) is amended to read:

1 (d) The monthly amount of an occupational disability benefit is 40 percent of
 2 the disabled member's gross monthly compensation at the time of termination due to
 3 disability. **Notwithstanding AS 14.25.390(b), at the time a member is appointed to**
 4 **disability, the member becomes fully vested in the employer contributions made**
 5 **under AS 14.25.350(a). A disabled member is fully vested in the contributions to**
 6 **the member's individual account made under this subsection. A member is not**
 7 **entitled to elect distributions from the member's individual contribution account**
 8 **under AS 14.25.410 while the member is receiving disability benefits under this**
 9 **section.** While a member is receiving disability benefits, based on the disabled
 10 member's gross monthly compensation at the time of termination due to disability, the
 11 employer shall make contributions to the

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

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

16 * **Sec. 28.** AS 14.25.485(g) is amended to read:

17 (g) A disabled member's occupational disability benefit terminates **the last**
 18 **day of the month in which** [WHEN] the disabled member first **qualifies** [ATTAINS
 19 ELIGIBILITY] for normal retirement. At that time, the member's retirement benefit
 20 shall be determined under the provisions of AS 14.25.420 - 14.25.440, 14.25.470, and
 21 14.25.480. A member **whose occupational disability benefit terminates under this**
 22 **subsection** [RECEIVING DISABILITY BENEFITS UP UNTIL ELIGIBILITY FOR
 23 RETIREMENT] shall be considered to have retired directly from the plan.

24 * **Sec. 29.** AS 14.25.485(i) is amended to read:

25 (i) Upon the death of a disabled member who is receiving or is entitled to
 26 receive an occupational disability benefit, the administrator shall pay the surviving
 27 spouse a surviving spouse's pension, equal to 40 percent of the member's monthly
 28 compensation at the **time of** termination of employment because of occupational
 29 disability. If there is no surviving spouse, the administrator shall pay the survivor's
 30 pension in equal parts to the dependent children of the member. **While the monthly**
 31 **survivor's pension is being paid, the survivor is not entitled to elect distributions**

1 **from the employee's individual contribution account under AS 14.25.410.** The
2 first payment of the surviving spouse's pension or of a dependent child's pension shall
3 accrue from the first day of the month following the member's death and is payable the
4 last day of the month. The last payment shall be made **the last day of** [FOR] the last
5 month in which there is an eligible surviving spouse or **dependent** child, **or the last**
6 **day of the month in which the member would have first qualified for normal**
7 **retirement if the member had survived, whichever day comes sooner. A**
8 **retirement benefit shall be determined under the provisions of AS 14.25.420 -**
9 **14.25.440, 14.25.470, and 14.25.480 based on** [. ON] the date the **member would**
10 **have first qualified for** normal retirement [OF THE MEMBER WOULD HAVE
11 OCCURRED] if the member had **survived. In addition to the payment of the**
12 **member's individual account, the surviving spouse or, if there is no surviving**
13 **spouse, the surviving dependent children of the member, shall receive an**
14 **additional benefit in an amount equal to the accumulated contributions that**
15 **would have been made to the deceased member's individual account under**
16 **AS 14.25.340(a) and 14.25.350(a), based on the deceased member's gross monthly**
17 **compensation at the time of occupational disability, from the time of the**
18 **member's death to the date the member would have first qualified for normal**
19 **retirement if the member had survived. Earnings shall be allocated to the**
20 **additional benefit calculated under this subsection based on the actual rate of**
21 **return, net of expenses, of the trust account established under AS 14.25.350(e)**
22 **over the period that the contributions would have been made. This additional**
23 **amount and allocated earnings shall be paid in the same manner as determined**
24 **for the member's individual account under AS 14.25.420 - 14.25.460 to the extent**
25 **permitted by the Internal Revenue Service. For the purpose of determining**
26 **eligibility of a survivor who is receiving a benefit under this subsection for**
27 **medical benefits under AS 14.25.470 and 14.25.480, a** [LIVED, THE
28 RETIREMENT BENEFIT SHALL BE DETERMINED UNDER THE PROVISIONS
29 OF AS 14.25.420 - 14.25.440, 14.25.470, AND 14.25.480. A] member who died
30 while receiving disability benefits shall be considered to have retired directly from the
31 plan on the date the **member would have first qualified for** normal retirement [OF

1 THE MEMBER WOULD HAVE OCCURRED] if the member had survived. The
 2 period during which the member was eligible for a disability benefit and the
 3 period during which a survivor's pension is paid to a survivor under this
 4 subsection each constitute membership service for the purposes of determining
 5 eligibility for medical benefits under this chapter and AS 39.30.300 - 39.30.495
 6 [LIVED].

7 * **Sec. 30.** AS 14.25.485(j) is amended to read:

8 (j) In this section, "occupational disability" means a physical or mental
 9 condition that the administrator determines presumably permanently prevents
 10 an employee from satisfactorily performing the employee's usual duties or the
 11 duties of another comparable position or job available to the employee and for
 12 which the employee is qualified by training or education; however, the proximate
 13 cause of the condition must be a bodily injury sustained, or a hazard undergone,
 14 while in the performance and within the scope of the employee's duties and not
 15 the proximate result of the willful negligence of the employee [HAS THE
 16 MEANING GIVEN IN AS 39.35.680].

17 * **Sec. 31.** AS 14.25.485 is amended by adding a new subsection to read:

18 (k) While a survivor under (i) of this section is receiving a survivor's pension,
 19 the employer of the deceased member shall make contributions with respect to the
 20 survivor based on the deceased member's gross monthly compensation at the time of
 21 termination due to disability

22 (1) that would have been paid to the member's individual account
 23 under AS 14.25.340 and 14.25.350(a), to the trust account established under
 24 AS 14.25.350(e), without deduction from the survivor's pension; and

25 (2) to the appropriate accounts and funds under AS 14.25.350(b) - (e).

26 * **Sec. 32.** AS 14.25 is amended by adding a new section to read:

27 **Sec. 14.25.486. Disability benefit adjustment.** (a) Once each year, the
 28 administrator shall increase disability benefits. The amount of the increase is a
 29 percentage of the current disability benefit equal to the lesser of 75 percent of the
 30 increase in the cost of living in the preceding calendar year or nine percent.

31 (b) If a disabled member was not receiving a benefit during the entire

1 preceding calendar year, the increase in the benefit under this section shall be adjusted
 2 by multiplying it by a fraction, the numerator of which is the number of months for
 3 which the benefit was received in the preceding calendar year and the denominator of
 4 which is 12.

5 (c) An increase in benefit payments under this section is effective July 1 of
 6 each year and is based on the percentage increase in the Consumer Price Index for
 7 urban wage earners and clerical workers for Anchorage, Alaska, during the previous
 8 calendar year, as determined by the United States Department of Labor, Bureau of
 9 Labor Statistics.

10 (d) Benefit adjustments under this section shall terminate the last day of the
 11 month following the date on which a disabled member is no longer receiving a
 12 disability benefit under AS 14.25.485.

13 * **Sec. 33.** AS 14.25.487(b) is amended to read:

14 (b) The first payment of the surviving spouse's pension or of a dependent
 15 child's pension shall be made for the month following the month in which the member
 16 dies. Payments [, AND PAYMENT] shall cease on the last day of the month in
 17 which there is no longer an eligible spouse or eligible dependent child, or the last
 18 day of the month following the earliest date [TO BE MADE BEGINNING WITH
 19 THE MONTH IN WHICH] the member would have first qualified for normal
 20 retirement if the member had survived, whichever day is sooner.

21 * **Sec. 34.** AS 14.25.487(c) is amended to read:

22 (c) The monthly survivor's pension in (b) of this section for survivors of
 23 members is 40 percent of the member's monthly compensation in the month in which
 24 the member dies. While the monthly survivor's pension is being paid, the survivor
 25 is not entitled to elect distributions from the member's individual contribution
 26 account under AS 14.25.410, except as required by AS 14.25.440. While the
 27 monthly survivor's pension is being paid, the employer shall make contributions with
 28 respect to [ON BEHALF OF] the member's surviving spouse and member's
 29 surviving dependent children [BENEFICIARIES] based on the deceased member's
 30 gross monthly compensation at the time of occupational death

31 (1) that would have been paid to the member's individual account

1 under AS 14.25.340 **and AS 14.25.350(a), to the trust account established under**
 2 **AS 14.25.350(e)**, without deduction from the survivor's pension; and

3 (2) to the appropriate accounts and funds [ON BEHALF OF THE
 4 MEMBER] under **AS 14.25.350(b) - (e)** [AS 14.25.350].

5 * **Sec. 35.** AS 14.25.487(e) is amended to read:

6 (e) On the date the **member would have first qualified for** normal retirement
 7 [OF THE MEMBER WOULD HAVE OCCURRED] if the member had **survived**
 8 [LIVED], the retirement benefit shall be determined under the provisions of
 9 AS 14.25.420 - 14.25.440, 14.25.470, and 14.25.480. **In addition to payment of the**
 10 **member's individual account, the surviving spouse or, if there is no surviving**
 11 **spouse, the surviving dependent children of the member, shall receive an**
 12 **additional benefit in an amount equal to the accumulated contributions that**
 13 **would have been made to the deceased member's individual account under**
 14 **AS 14.25.340(a) and 14.25.350(a), based on the deceased member's gross monthly**
 15 **compensation at the time of the member's occupational death, from the time of**
 16 **the member's death to the date the member would have first qualified for normal**
 17 **retirement if the member had survived. Earnings shall be allocated to the**
 18 **additional benefit calculated under this subsection based on the actual rate of**
 19 **return, net of expenses, of the trust account established under AS 14.25.350(e)**
 20 **over the period that the contributions would have been made. This additional**
 21 **amount and allocated earnings shall be paid in the same manner as determined**
 22 **for the member's individual account under AS 14.25.420 - 14.25.460 to the extent**
 23 **permitted by the Internal Revenue Service.** A member who died and whose
 24 survivors receive occupational death benefits under this section shall be considered to
 25 have retired directly from the plan on the date the [NORMAL RETIREMENT OF
 26 THE] member would have **first qualified for normal retirement** [OCCURRED] if
 27 the member had **survived. The period of time during which a survivor's pension is**
 28 **paid under this section constitutes membership service for the purposes of**
 29 **determining vesting in employer contributions under AS 14.25.390(b) and**
 30 **eligibility for medical benefits under this chapter and AS 39.30.300 - 39.30.495**
 31 [LIVED].

1 * **Sec. 36.** AS 14.25 is amended by adding new sections to read:

2 **Sec. 14.25.488. Survivors' pension adjustment.** (a) Once each year, the
3 administrator shall increase payments to a person 60 years of age or older receiving a
4 survivor's pension under AS 14.25.485(i) or 14.25.487(c) and to a person who has
5 received a survivor's pension under AS 14.25.485(i) or 14.25.487(c) for at least eight
6 years, who is not otherwise eligible for an increase under this section.

7 (b) The amount of the increase is a percentage of the current survivor's
8 pension equal to the lesser of 50 percent of the increase in the cost of living in the
9 preceding calendar year or six percent.

10 (c) If a survivor was not receiving a pension during the entire preceding
11 calendar year, the increase in the survivor's pension under this section shall be
12 adjusted by multiplying it by a fraction, the numerator of which is the number of
13 months for which the pension was received in the preceding calendar year and the
14 denominator of which is 12.

15 (d) The administrator shall increase the initial survivor's pension paid to a
16 survivor of a member who died while receiving disability benefits by a percentage
17 equal to the total cumulative percentage that has been applied to the member's
18 disability benefit under AS 14.25.486.

19 (e) An increase in benefit payments under this section is effective July 1 of
20 each year and is based on the percentage increase in the Consumer Price Index for
21 urban wage earners and clerical workers for Anchorage, Alaska, during the previous
22 calendar year, as determined by the United States Department of Labor, Bureau of
23 Labor Statistics.

24 (f) Pension adjustments under this section shall terminate the last day of the
25 month following the date on which a survivor is no longer receiving a survivor's
26 pension under AS 14.25.485(i) or 14.25.487(c).

27 **Sec. 14.25.489. Premiums for retiree major medical insurance coverage**
28 **upon termination of disability benefits or survivor's pension.** The premium for
29 retiree major medical insurance coverage payable by a member whose disability
30 benefit is terminated under AS 14.25.485(g) or by an eligible survivor whose survivor
31 pension is terminated under AS 14.25.485(i) or 14.25.487(e) when the member would

1 have been eligible for normal retirement if the member had survived shall be
 2 determined under AS 14.25.480(g)(2) as if the member or survivor were eligible for
 3 Medicare.

4 * **Sec. 37.** AS 14.25.500 is amended by adding new subsections to read:

5 (d) The administrator shall use forfeitures in the fixed benefit account of the
 6 plan that arise for any reason, including from termination of employment or death, to
 7 reduce employer contributions. Forfeitures may not be applied to increase the benefits
 8 of any member.

9 (e) The administrator shall determine the amount of any fixed benefit that is
 10 determined on the basis of actuarial tables using assumptions approved by the
 11 commissioner. The amount of benefits is not subject to employer discretion.

12 * **Sec. 38.** AS 14.25.510 is amended to read:

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

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

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

27 * **Sec. 39.** AS 14.25.540(c) is amended to read:

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

1 behalf of that employee to the new account. The employer shall make the matching
 2 contribution from funds other than the trust funds of the defined benefit retirement
 3 plan. **The amount of the matching employer contribution is subject to, and may**
 4 **not exceed, the limitation of 26 U.S.C. 415(c) during the applicable limitation**
 5 **year as defined in AS 14.25.590. If the matching employer contribution would**
 6 **exceed the limits during the limitation year in which the transfer occurs, the**
 7 **remaining amount of the matching employer contribution shall be made in the**
 8 **next limitation year, if the limits would not be exceeded.**

9 * **Sec. 40.** AS 14.25.540(d) is amended to read:

10 (d) Upon a transfer, all membership service previously earned under the
 11 defined benefit retirement plan shall be nullified for purposes of entitlement to a future
 12 benefit under the defined benefit retirement plan but shall be credited for purposes of
 13 **determining vesting in employer contributions under AS 14.25.390(b) and**
 14 eligibility to elect medical benefits under AS 14.25.470. Membership service allowed
 15 for credit toward medical benefits does not include any service credit purchased under
 16 AS 14.25.075 for employment by an employer who is not a participating employer in
 17 this chapter.

18 * **Sec. 41.** AS 14.25.540(h) is amended to read:

19 (h) **A member who is eligible to elect transfer to the defined contribution**
 20 **retirement plan must make the election not later than 12 months after the first**
 21 **day of the month following the administrator's receipt of the notification that the**
 22 **member's employer consents to transfers of its members under (i) of this section.**

23 The election to participate in the defined contribution retirement plan must be made in
 24 writing on forms and in the manner prescribed by the administrator. Before accepting
 25 an election to participate in the defined contribution retirement plan, the administrator
 26 must provide the employee planning on making an election to participate in the
 27 defined contribution retirement plan with information, including calculations to
 28 illustrate the effect of moving the employee's retirement plan from the defined benefit
 29 retirement plan to the defined contribution retirement plan as well as other information
 30 to clearly inform the employee of the potential consequences of the employee's
 31 election. An election made under this subsection to participate in the defined

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

10 * **Sec. 42.** AS 14.25 is amended by adding a new section to read:

11 **Sec. 14.25.582. Special rules for treatment of qualified military service.**

12 Notwithstanding any contrary provisions of AS 14.25.310 - 14.25.590, with respect to
 13 qualified military service, contributions shall be made and benefits and service credit
 14 shall be provided in accordance with 26 U.S.C. 414(u).

15 * **Sec. 43.** AS 14.25.590(7) is amended to read:

16 (7) "compensation"

17 (A) means

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

22 (ii) the member contribution to the teachers' retirement
 23 system under AS 14.25.340;

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

1 the employer had remained in the Federal Social Security System [, OR ANY
2 REMUNERATION PAID BY THE EMPLOYER IN EXCESS OF THE
3 SOCIAL SECURITY TAXABLE WAGE BASE FOR THE CALENDAR
4 YEAR];

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

14 * **Sec. 44.** AS 22.25.022(c)(2) is amended to read:

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

17 * **Sec. 45.** AS 22.25.022(c)(3) is amended to read:

18 (3) "eligible retirement plan"

19 [(A)] means

20 **(A)** [(i)] an individual retirement account described in 26
21 U.S.C. 408(a);

22 **(B)** [(ii)] an individual retirement annuity defined in 26 U.S.C.
23 408(b);

24 **(C)** [(iii)] an annuity plan described in 26 U.S.C. 403(a);

25 **(D)** [(iv)] a qualified trust described in 26 U.S.C. 401(a);

26 **(E)** [(v)] on and after January 1, 2002, an annuity plan
27 described in 26 U.S.C. 403(b); [OR]

28 **(F)** [(vi)] on or after January 1, 2002, a governmental plan
29 described in 26 U.S.C. 457(b); **or**

30 **(G) on or after January 1, 2008, a Roth IRA described in 26**
31 **U.S.C. 408A** [AND

1 (B) NOTWITHSTANDING (A) OF THIS PARAGRAPH,
 2 MEANS, WITH RESPECT TO DISTRIBUTIONS MADE BEFORE
 3 JANUARY 1, 2002, AN INDIVIDUAL RETIREMENT ACCOUNT OR AN
 4 INDIVIDUAL RETIREMENT ANNUITY ACCOUNT DESCRIBED OR
 5 DEFINED IN 26 U.S.C. 408 IN THE CASE OF AN ELIGIBLE ROLLOVER
 6 DISTRIBUTION TO A BENEFICIARY WHO IS THE SURVIVING
 7 SPOUSE OF A MEMBER];

8 * **Sec. 46.** AS 22.25.022(c)(4) is amended to read:

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

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

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

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

19 (D) the portion of any distribution that is not includable in
 20 gross income; **however, such portion may be transferred only to an**
 21 **individual retirement account or annuity described in 26 U.S.C. 408(a) or**
 22 **(b), to a qualified plan described in 26 U.S.C. 401(a) or 403(a), or to an**
 23 **annuity contract described in 26 U.S.C. 403(b), that agrees to separately**
 24 **account for amounts so transferred, including separately accounting for**
 25 **the portion of the distribution that is includable in gross income and the**
 26 **portion of the distribution that is not so includable; and**

27 (E) [A DISTRIBUTION MADE ON OR AFTER JANUARY
 28 1, 2002, THAT IS ON ACCOUNT OF HARDSHIP; AND

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

31 * **Sec. 47.** AS 22.25.046 is amended by adding a new subsection to read:

1 (c) Employer contributions shall be separately computed for benefits provided
 2 by AS 22.25.090, and shall be deposited in the Alaska retiree health care trust
 3 established under AS 39.30.097(a).

4 * **Sec. 48.** AS 22.25.090 is amended by adding a new subsection to read:

5 (f) On and after July 1, 2007, benefits under this section will be provided in
 6 part by the Alaska retiree health care trust established under AS 39.30.097(a).

7 * **Sec. 49.** AS 37.10.210(a) is amended to read:

8 (a) The Alaska Retirement Management Board is established in the
 9 Department of Revenue. The board's primary mission is to serve as the trustee of the
 10 assets of the state's retirement systems, the State of Alaska Supplemental Annuity
 11 Plan, [AND] the deferred compensation program for state employees, and the Alaska
 12 retiree health care trusts established under AS 39.30.097. Consistent with
 13 standards of prudence, the board has the fiduciary obligation to manage and invest
 14 these assets in a manner that is sufficient to meet the liabilities and pension obligations
 15 of the systems, plan, [AND] program, and trusts. The board may, with the approval
 16 of the commissioner of revenue and upon agreement with the responsible fiduciary,
 17 manage and invest other state funds so long as the activity does not interfere with the
 18 board's primary mission. In making investments, the board shall exercise the powers
 19 and duties of a fiduciary of a state fund under AS 37.10.071.

20 * **Sec. 50.** AS 39.30 is amended by adding new sections to read:

21 **Sec. 39.30.097. Alaska retiree health care trusts.** (a) The commissioner of
 22 administration is authorized to prefund medical benefits provided by AS 14.25.168,
 23 AS 22.25.090, and AS 39.35.535 by establishing an irrevocable trust that is exempt
 24 from federal income tax under 26 U.S.C. 115 and subject to the applicable financial
 25 reporting, disclosure and actuarial requirements of the Governmental Accounting
 26 Standards Board.

27 (b) The commissioner of administration is authorized to prefund medical
 28 benefits provided by AS 14.25.480, AS 39.30.300, and AS 39.35.880 by establishing
 29 an irrevocable trust that is exempt from federal income tax under 26 U.S.C. 115 and
 30 subject to the applicable financial reporting, disclosure and actuarial requirements of
 31 the Governmental Accounting Standards Board.

1 (c) The plans and assets of the Alaska retiree health care trusts shall be under
 2 the governance and investment authority of the Alaska Retirement Management
 3 Board, which shall serve as trustee of the trust as provided in AS 37.10.210. The
 4 commissioner of administration or the commissioner's designee shall serve as
 5 administrator of the Alaska retiree health care trusts.

6 (d) All employer contributions, appropriations, earnings, and reserves for the
 7 payment of retiree medical obligations shall be credited to the retiree health care
 8 trusts. The prefunded amounts shall be available without fiscal year limitations for
 9 retiree medical benefits and administration costs. The amounts remaining in the trusts,
 10 if any, after retiree medical benefits and administration costs have been paid in any
 11 year shall be retained in the trusts for future payments, until the satisfaction of all
 12 employer liabilities under the trusts for retiree medical benefits. All prefunded
 13 amounts shall be used solely for the payment of retiree medical benefits and
 14 administration costs and for no other purpose.

15 (e) The assets of the Alaska retiree health care trusts may be pooled, for
 16 investment purposes, with assets of the retirement systems, so long as such assets are
 17 accounted for separately.

18 **Sec. 39.30.098. Regulations.** The commissioner of administration may adopt
 19 regulations to implement AS 39.30.090 - 39.30.097. Regulations adopted by the
 20 commissioner under this section relate to the internal management of state agencies
 21 and their adoption is not subject to AS 44.62 (Administrative Procedure Act.).

22 * **Sec. 51.** AS 39.30.154 is amended to read:

23 **Sec. 39.30.154. Powers and duties of the administrator.** The administrator
 24 has the same powers and duties with regard to the plan as those set out in
 25 **AS 14.25.003 and 14.25.004** [AS 14.25.004].

26 * **Sec. 52.** AS 39.30.160(a) is amended to read:

27 (a) The Department of Administration shall, in accordance with policies
 28 prescribed by regulations **adopted by the commissioner** [OF THE ALASKA
 29 RETIREMENT MANAGEMENT BOARD], provide to employees for whom special
 30 individual employee benefit accounts are established under AS 39.30.150(c) the
 31 following benefit options:

- 1 (1) supplemental health benefits;
- 2 (2) supplemental death benefits;
- 3 (3) supplemental disability benefits; and
- 4 (4) supplemental dependent care benefits.

5 * **Sec. 53.** AS 39.30.160(e) is amended to read:

6 (e) Regulations adopted by the **commissioner** [BOARD] implementing
7 AS 39.30.150 and this section are not subject to AS 44.62 (Administrative Procedure
8 Act).

9 * **Sec. 54.** AS 39.30 is amended by adding a new section to read:

10 **Sec. 39.30.165. Appeals.** A final decision made under AS 39.30.150 -
11 39.30.180 is subject to appeal under AS 44.64.

12 * **Sec. 55.** AS 39.30 is amended by adding a new section to read:

13 **Sec. 39.30.335. Appeals.** A final decision made under AS 39.30.300 -
14 39.30.495 is subject to appeal under AS 44.64.

15 * **Sec. 56.** AS 39.30.340 is amended to read:

16 **Sec. 39.30.340. Powers and duties of the administrator.** The administrator
17 shall establish a teachers' and public employees' retiree health reimbursement
18 arrangement plan trust fund in which the assets of the plan shall be deposited and held.
19 **The retiree health reimbursement arrangement plan trust fund may be a sub-**
20 **trust of the Alaska retiree health care trust established under AS 39.30.097(b).**
21 The administrator has the same powers and duties with regard to the plan and the trust
22 fund as provided in **AS 14.25.003 and 14.25.004** [AS 14.25.004].

23 * **Sec. 57.** AS 39.30.370 is amended to read:

24 **Sec. 39.30.370. Contributions by employers.** For each member of the plan,
25 an employer shall contribute to the teachers' and public employees' retiree health
26 reimbursement arrangement plan trust fund an amount equal to three percent of the
27 **average annual compensation of all employees of all employers in the teachers'**
28 **retirement system and public employees' retirement system** [EMPLOYER'S
29 AVERAGE ANNUAL EMPLOYEE COMPENSATION]. The administrator shall
30 maintain a record for each member to account for employer contributions on behalf of
31 that member. The board shall establish by regulation the rate of interest to be applied

1 annually to the amount in a member's individual account.

2 * **Sec. 58.** AS 39.35.115 is amended by adding new subsections to read:

3 (d) The retirement plan established by AS 39.35.095 - 39.35.680 is a joint
4 contributory plan.

5 (e) If, upon termination of the plan, all liabilities are satisfied, any excess
6 assets shall revert to the employers as determined by the administrator, subject to the
7 approval of the termination by the Internal Revenue Service.

8 * **Sec. 59.** AS 39.35.165(f) is amended to read:

9 (f) The board may accept rollover contributions from a member and direct
10 transfers, as described in this subsection, for the purchase, in whole or in part, of
11 credited service for the reinstatement, in whole or in part, of forfeited credited service
12 under AS 39.35.350. A rollover contribution or transfer as described in this subsection
13 shall also be treated as employer contributions for the purpose of determining tax
14 treatment under the Internal Revenue Code and may be made by any one or a
15 combination of the following methods:

16 (1) subject to the limitations prescribed in 26 U.S.C. 401(a)(3) and 26
17 U.S.C. 402(c), accepting eligible rollover distributions directly from one or more
18 eligible retirement plans as defined by 26 U.S.C. 402(c)(8)(B) [PROGRAMS OF
19 ANOTHER EMPLOYER THAT ARE QUALIFIED UNDER 26 U.S.C. 401(a) OR
20 ACCEPTING ROLLOVERS DIRECTLY FROM A MEMBER];

21 (2) [SUBJECT TO THE LIMITATIONS PRESCRIBED IN 26 U.S.C.
22 408(d)(3)(A)(ii), ACCEPTING FROM A MEMBER CONDUIT ROLLOVER
23 CONTRIBUTIONS THAT ARE RECEIVED BY THE EMPLOYEE FROM ONE
24 OR MORE CONDUIT ROLLOVER INDIVIDUAL RETIREMENT ACCOUNTS
25 PREVIOUSLY ESTABLISHED BY THE MEMBER;

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

30 **(3)** [(4)] subject to the limitations prescribed in 26 U.S.C. 457(e)(17),
31 accepting direct trustee-to-trustee transfers of all or a portion of the accounts of the

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

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

6 * **Sec. 60.** AS 39.35.165(f) is amended to read:

7 (f) The board may accept rollover contributions from a member [AND
8 DIRECT TRANSFERS, AS DESCRIBED IN THIS SUBSECTION, FOR THE
9 PURCHASE, IN WHOLE OR IN PART, OF CREDITED SERVICE FOR THE
10 REINSTATEMENT, IN WHOLE OR IN PART, OF FORFEITED CREDITED
11 SERVICE UNDER AS 39.35.350]. A rollover contribution [OR TRANSFER] as
12 described in this subsection shall also be treated as employer contributions for the
13 purpose of determining tax treatment under the Internal Revenue Code and may be
14 made by any one or a combination of the following methods:

15 (1) subject to the limitations prescribed in 26 U.S.C. 401(a)(3) and 26
16 U.S.C. 402(c), accepting eligible rollover distributions directly from one or more
17 eligible retirement plans as defined by 26 U.S.C. 402(c)(8)(B);

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

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

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

29 * **Sec. 61.** AS 39.35.195(b) is amended to read:

30 (b) Except as provided by AS 39.35.165(f) [AS 39.35.165(f)(5)], the plan does
31 not accept contributions of eligible rollover distributions.

1 * **Sec. 62.** AS 39.35.195(c)(2) is amended to read:

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

4 * **Sec. 63.** AS 39.35.195(c)(3) is amended to read:

5 (3) "eligible retirement plan"

6 [(A)] means

7 **(A)** [(i)] an individual retirement account described in 26
8 U.S.C. 408(a);

9 **(B)** [(ii)] an individual retirement annuity defined in 26 U.S.C.
10 408(b);

11 **(C)** [(iii)] an annuity plan described in 26 U.S.C. 403(a);

12 **(D)** [(iv)] a qualified trust described in 26 U.S.C. 401(a);

13 **(E)** [(v)] on and after January 1, 2002, an annuity plan
14 described in 26 U.S.C. 403(b); [OR]

15 **(F)** [(vi)] on or after January 1, 2002, a governmental plan
16 described in 26 U.S.C. 457(b); **or**

17 **(G) on or after January 1, 2008, a Roth IRA described in 26**
18 **U.S.C. 408A** [AND

19 (B) NOTWITHSTANDING (A) OF THIS PARAGRAPH,
20 MEANS, WITH RESPECT TO DISTRIBUTIONS MADE BEFORE
21 JANUARY 1, 2002, AN INDIVIDUAL RETIREMENT ACCOUNT OR AN
22 INDIVIDUAL RETIREMENT ANNUITY ACCOUNT DESCRIBED OR
23 DEFINED IN 26 U.S.C. 408 IN THE CASE OF AN ELIGIBLE ROLLOVER
24 DISTRIBUTION TO A BENEFICIARY WHO IS THE SURVIVING
25 SPOUSE OF A MEMBER];

26 * **Sec. 64.** AS 39.35.195(c)(4) is amended to read:

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

29 (A) a distribution that is one of a series of substantially equal
30 installments payable not less frequently than annually over the life expectancy
31 of the distributee or the joint and last survivor life expectancy of the distributee

1 and the distributee's designated beneficiary, as defined in 26 U.S.C. 401(a)(9);

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

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

6 (D) the portion of any distribution that is not includable in
7 gross income; however, such portion may be transferred only to an
8 individual retirement account or annuity described in 26 U.S.C. 408(a) or
9 (b), to a qualified plan described in 26 U.S.C. 401(a) or 403(a), or to an
10 annuity contract described in 26 U.S.C. 403(b), that agrees to separately
11 account for amounts so transferred, including separately accounting for
12 the portion of the distribution that is includable in gross income and the
13 portion of the distribution that is not so includable; and

14 (E) [A DISTRIBUTION MADE ON OR AFTER JANUARY
15 1, 2002, THAT IS ON ACCOUNT OF HARDSHIP; AND

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

18 * **Sec. 65.** AS 39.35.250 is amended to read:

19 **Sec. 39.35.250. Calculation of employer's contribution rate.** (a) An
20 employer shall make contributions to the plan [IN AMOUNTS DETERMINED] in
21 accordance with this section. For the purposes of this section and AS 39.35.270, the
22 [PAST SERVICE DATE FOR EACH EMPLOYER IS THE ENTRY DATE OF THE
23 EMPLOYER OR DECEMBER 31, 1972, WHICHEVER IS LATER. AFTER
24 DECEMBER 31, 1972, IF AMENDMENTS TO AS 39.35.095 - 39.35.680 ARE
25 ENACTED THAT SUBSTANTIALLY AFFECT BENEFITS ACCRUED BEFORE
26 THE EFFECTIVE DATE OF THE AMENDMENT, THE PAST SERVICE DATE
27 WILL BE CHANGED TO DECEMBER 31 OF THE YEAR IMMEDIATELY
28 PRECEDING THAT IN WHICH THE AMENDMENT IS ENACTED. THE]
29 contribution rate is the sum of the consolidated employer normal cost rate and the
30 past service rate as approved by the board.

31 (b) In (a) of this section, "consolidated employer normal cost rate" means the

1 percentage of compensation of all active employees in the system [PLAN] which, [IF
2 PAID OVER THE PERIOD OF THEIR CREDITED SERVICE AFTER THEIR
3 PAST SERVICE DATE AND] when combined with all employee contributions to the
4 plan, is sufficient to provide the benefits earned during the year beginning after the
5 last valuation date [AFTER SUCH PAST SERVICE DATES]. This percentage is
6 [UNIFORMLY] determined at the plan level for all employers and is applicable to
7 each employer.

8 (c) In (a) of this section, "past service rate" means the percentage of
9 compensation of all active employees in the system [PLAN] necessary to provide the
10 annual amount required to amortize the unfunded obligations of the employer for
11 benefits earned by the employer's members in the plan as of [BEFORE] the date of
12 the last actuarial valuation [EMPLOYER'S PAST SERVICE DATE] over a period
13 not to exceed the maximum allowed by generally accepted accounting principles
14 of the Governmental Accounting Standards Board [40 YEARS. THE PERIOD OF
15 AMORTIZATION BEGINS AT THE PAST SERVICE DATE OF EACH
16 EMPLOYER]. The percentage is separately determined for each employer.

17 * **Sec. 66.** AS 39.35.250 is amended by adding a new subsection to read:

18 (d) Employer contributions shall be separately computed for benefits provided
19 by AS 39.35.535, and shall be deposited in the Alaska retiree health care trust
20 established under AS 39.30.097(a).

21 * **Sec. 67.** AS 39.35.270(a) is amended to read:

22 (a) The amount of each employer's contributions shall be determined by
23 applying the sum of the consolidated employer normal cost [EMPLOYER'S
24 CONTRIBUTION] rate and the employer's past service rate to the total
25 compensation paid to the employer's active employees in the system [, AS
26 CERTIFIED BY THE BOARD, TO THE TOTAL COMPENSATION PAID TO THE
27 ACTIVE EMPLOYEES OF THE EMPLOYER] for each payroll period, [AND BY]
28 including any adjustments to contributions required by AS 39.35.520(a). This amount
29 shall be remitted by the employer to the administrator in accordance with
30 AS 39.35.610.

31 * **Sec. 68.** AS 39.35.375(a) is amended to read:

1 (a) An active or inactive member who has never been vested in this plan or in
 2 the teachers' retirement plan under AS 14.25.009 - 14.25.220, who has at least two
 3 years of credited service in this plan, and who has membership service in the teachers'
 4 retirement system may claim credited service in this plan in an amount equal to the
 5 membership service the member has in the teachers' retirement system. The claimed
 6 credited service may be added to service earned under AS 39.35.095 - 39.35.680 to
 7 enable the member to qualify for a public service benefit under this section. The
 8 member may not claim credited service for membership service for which the member
 9 has received a refund under AS 14.25.150 [UNLESS THE MEMBER FULLY PAYS
 10 THE INDEBTEDNESS AS ESTABLISHED UNDER AS 14.25.063]. The member
 11 may not claim credited service in this plan based on unused sick leave under
 12 AS 14.25.115.

13 * **Sec. 69.** AS 39.35.385(c) is amended to read:

14 (c) Credited service for which contributions were refunded is not creditable
 15 under this section [UNLESS THE REFUNDED CONTRIBUTIONS HAVE BEEN
 16 REPAID. FOR PURPOSES OF (a) AND (b) OF THIS SECTION, A MEMBER OR
 17 FORMER MEMBER DOES NOT HAVE TO BE REEMPLOYED UNDER THIS
 18 PLAN IN ORDER TO PAY REFUNDED CONTRIBUTIONS. COMPOUND
 19 INTEREST AT THE RATE PRESCRIBED BY REGULATION SHALL BE ADDED
 20 TO THE REINSTATEMENT INDEBTEDNESS FROM THE DATE OF THE
 21 REFUND TO THE DATE OF REPAYMENT].

22 * **Sec. 70.** AS 39.35.522(d) is amended to read:

23 (d) **A decision of the** [THE] commissioner of administration **under this**
 24 **section to deny a waiver under this section may be appealed to the office of**
 25 **administrative hearings. The office of administrative hearings may reverse the**
 26 **decision of the commissioner and** may impose conditions on the granting of a waiver
 27 which it considers equitable. These conditions may include requiring the member or
 28 beneficiary to make additional contributions to the plan.

29 * **Sec. 71.** AS 39.35.535 is amended by adding a new subsection to read:

30 (f) On and after July 1, 2007, benefits under this section shall be provided in
 31 part by the Alaska retiree health care trust established under AS 39.30.097(a).

1 * **Sec. 72.** AS 39.35.610 is amended by adding a new subsection to read:

2 (b) If contributions are not submitted within the prescribed time limit, the
3 amount of contributions and interest due may be claimed by the administrator from
4 any agency of the state or political subdivision that has in its possession funds of the
5 employer or that is authorized to disburse funds to the employer that are not restricted
6 by statute or appropriation to a specific purpose. The amount claimed shall be certified
7 by the administrator as sufficient to pay the contributions and interest due from the
8 employer. The amount claimed shall be submitted to the administrator for deposit in
9 the retirement fund and the Alaska retiree health care trust.

10 * **Sec. 73.** AS 39.35.615 is amended by adding new subsections to read:

11 (g) An employer terminating participation in the plan shall pay termination
12 costs determined by the administrator, or enter into a payment plan acceptable to the
13 administrator, within 60 days of the employer's receiving notice of its termination
14 costs from the administrator. Termination costs not paid within the prescribed time
15 limit or in accordance with the approved payment plan shall be collected by the
16 administrator in accordance with AS 39.35.610(b). Termination of participation by an
17 employer in the plan does not bar future participation by the employer under
18 AS 39.35.700 - 39.35.990 if the employer has paid in full its prior termination costs.

19 (h) A political subdivision or public organization considering or requesting
20 termination from the plan shall pay the cost associated with obtaining a termination
21 cost study associated with the employer's termination.

22 * **Sec. 74.** AS 39.35.620 is amended by adding new subsections to read:

23 (i) An employer terminating participation in the plan shall pay termination
24 costs determined by the administrator, or enter into a payment plan acceptable to the
25 administrator, within 60 days of the employer's notice of such cost. Termination costs
26 not paid within the prescribed time limit or in accordance with the approved payment
27 plan shall be collected by the administrator in accordance with AS 39.35.610(b).
28 Termination of participation by an employer in the plan does not bar future
29 participation by the employer under AS 39.35.700 - 39.35.990 if the employer has
30 paid in full its prior termination costs.

31 (j) A political subdivision or public organization being terminated from the

1 plan shall pay the cost associated with obtaining a termination cost study associated
2 with the employer's termination.

3 * **Sec. 75.** AS 39.35.650 is amended to read:

4 **Sec. 39.35.650. Refunds to employers.** An employer may not receive an
5 amount from the plan, except as provided under **AS 39.35.115(e), 39.35.615(e), or**
6 **[AS 39.35.615(e) AND] 39.35.620(g).**

7 * **Sec. 76.** AS 39.35 is amended by adding a new section to read:

8 **Sec. 39.35.678. Internal Revenue Code compliance.** (a) The administrator
9 shall use forfeitures that arise for any reason, including from termination of
10 employment or death, to reduce employer contributions. Forfeitures may not be
11 applied to increase the benefits of any member.

12 (b) The administrator shall determine the amount of any benefit that is
13 determined on the basis of actuarial tables using assumptions approved by the
14 commissioner. The amount of benefits is not subject to employer discretion.

15 (c) Employee contributions paid to, and retirement benefits paid from, the plan
16 may not exceed the annual limits on contributions and benefits, respectively, allowed
17 by 26 U.S.C. 415. Notwithstanding any contrary provision of law, the administrator
18 may modify a request by a member to make a contribution to a plan if the amount of
19 the contribution would exceed the limits provided in 26 U.S.C. 415 by using the
20 following methods:

21 (1) if the law requires a lump sum payment for the purchase of service
22 credit, the administrator may establish a periodic payment plan for the member to
23 avoid a contribution in excess of the limits under 26 U.S.C. 415(c) or 415(n);

24 (2) if a periodic payment plan under (1) of this subsection will not
25 avoid a contribution in excess of the limits imposed by 26 U.S.C. 415(c), the
26 administrator may either reduce the member's contribution to an amount within the
27 limits of that section or refuse the member's contribution.

28 * **Sec. 77.** AS 39.35.680(3) is amended to read:

29 (3) "administrator" means [THE PERSON APPOINTED BY] the
30 commissioner of administration **or the commissioner's designee appointed** under
31 **AS 39.35.003** [AS 39.35.050];

1 * **Sec. 78.** AS 39.35.680(9) is amended to read:

2 (9) "compensation" means the remuneration earned by an employee
 3 for personal services rendered to an employer, including employee contributions under
 4 AS 39.35.160, cost-of-living differentials only as provided in AS 39.35.675, payments
 5 for leave that is actually used by the employee, the amount by which the employee's
 6 wages are reduced under AS 39.30.150(c), **an amount that is contributed by the**
 7 **employer under a salary reduction agreement and that is not includable in the**
 8 **gross income of the employee under 26 U.S.C. 125 or 132(f)(4)**, and any amount
 9 deferred under an employer-sponsored deferred compensation plan, but does not
 10 include retirement benefits, severance pay or other separation bonuses, welfare
 11 benefits, per diem, expense allowances, workers' compensation payments, or
 12 payments for leave not used by the employee whether those leave payments are
 13 scheduled payments, lump-sum payments, donations, or cash-ins; for a member first
 14 hired on or after July 1, 1996, compensation does not include remuneration in excess
 15 of the limitations set out in 26 U.S.C. 401(a)(17) (Internal Revenue Code);

16 * **Sec. 79.** AS 39.35.680(18) is amended to read:

17 (18) "employer" means

18 (A) the State of Alaska; [OR]

19 (B) a political subdivision or public organization of the state
 20 that participates in the plan **based on a resolution to participate in the plan**
 21 **that was approved by the administrator on or before July 1, 2006; or**

22 (C) **a political subdivision or public organization of the**
 23 **state that, as a result of consolidation or reorganization that occurs on or**
 24 **after July 1, 2006, assumes liability under the plan of a political**
 25 **subdivision or public organization described in (B) of this paragraph;**

26 * **Sec. 80.** AS 39.35.700 is amended to read:

27 **Sec. 39.35.700. Applicability of AS 39.35.700 - 39.35.990.** The provisions of
 28 AS 39.35.700 - 39.35.990 apply only to members first hired on or after July 1, 2006,
 29 **members who are employed by employers that do not participate in the defined**
 30 **benefit retirement plan established under AS 39.35.095 - 39.35.680,** or to members
 31 who transfer into the defined contribution **retirement** plan under AS 39.35.940.

1 * **Sec. 81.** AS 39.35.700 is amended to read:

2 **Sec. 39.35.700. Applicability of AS 39.35.700 - 39.35.990.** The provisions of
3 AS 39.35.700 - 39.35.990 apply only to members first hired on or after July 1, 2006,
4 members who are employed by employers that do not participate in the defined benefit
5 retirement plan established under AS 39.35.095 - 39.35.680, **former members as**
6 **defined in AS 39.35.680**, or to members who transfer into the defined contribution
7 retirement plan under AS 39.35.940.

8 * **Sec. 82.** AS 39.35.710(c) is amended to read:

9 (c) The retirement plan established by AS 39.35.700 - 39.35.990 is intended to
10 qualify under 26 U.S.C. 401(a), [AND] 414(d), **and 414(k)** (Internal Revenue Code)
11 as a qualified retirement plan established and maintained by the state for its
12 employees, for the employees of political subdivisions, public corporations, and public
13 organizations of the state, and for the employees of other employers whose
14 participation is authorized by AS 39.35.700 - 39.35.990 and who participate in the
15 plan set out in AS 39.35.700 - 39.35.990. **Benefits under AS 39.35.880 are not**
16 **provided by the defined contribution retirement plan.**

17 * **Sec. 83.** AS 39.35.750(b) is amended to read:

18 (b) An employer shall also contribute an amount equal to a percentage, as
19 **adopted** [CERTIFIED] by the board, of each member's compensation from July 1 to
20 the following June 30 to pay for retiree major medical insurance. This contribution
21 shall be paid into the **Alaska retiree health care trust** [GROUP HEALTH AND
22 LIFE BENEFITS FUND] established by the commissioner of administration under
23 **AS 39.30.097(b)** [AS 39.30.095] and shall be accounted for in accordance with
24 regulations established by the commissioner.

25 * **Sec. 84.** AS 39.35.750(e) is amended to read:

26 (e) An employer shall make annual contributions to **a trust account in** the
27 plan, **applied as a percentage of each member's compensation from July 1 to the**
28 **following June 30**, in an amount determined by the board to be actuarially required to
29 fully fund the cost of providing occupational disability and occupational death benefits
30 under **AS 39.35.700 - 39.35.990 and retirement benefits elected by disabled peace**
31 **officers and fire fighters under AS 39.35.890(h)(2)** [AS 39.35.890 AND 39.35.892].

1 The contribution required under this subsection for peace officers and fire fighters and
 2 the contribution required under this subsection for other employees shall be separately
 3 calculated based on the actuarially calculated costs for each group of employees.

4 * **Sec. 85.** AS 39.35.760(d)(3) is amended to read:

5 (3) "eligible retirement plan" means

6 (A) **an** [A CONDUIT] individual retirement account described
 7 in 26 U.S.C. 408(d)(3)(A);

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

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

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

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

12 **(F) an individual retirement annuity defined in 26 U.S.C.**
 13 **408(b); or**

14 **(G) on or after January 1, 2008, a Roth IRA described in 26**
 15 **U.S.C. 408A;**

16 * **Sec. 86.** AS 39.35.760(d)(4) is amended to read:

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

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

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

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

27 (D) the portion of any distribution that is not includable in
 28 gross income; **however, such portion may be transferred only to an**
 29 **individual retirement account or annuity described in 26 U.S.C. 408(a) or**
 30 **(b), to a qualified plan described in 26 U.S.C. 401(a) or 403(a), or to an**
 31 **annuity contract described in 26 U.S.C. 403(b), that agrees to separately**

1 account for amounts so transferred, including separately accounting for
 2 the portion of the distribution that is includable in gross income and the
 3 portion of the distribution that is not so includable; and

4 (E) [A DISTRIBUTION THAT IS ON ACCOUNT OF
 5 HARDSHIP; AND

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

8 * **Sec. 87.** AS 39.35.770 is amended to read:

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

13 * **Sec. 88.** AS 39.35.770 is amended by adding new subsections to read:

14 (b) If contributions are not transmitted within the prescribed time limit,
 15 interest shall be assessed on the outstanding contributions at the rate established under
 16 AS 39.35.610 from the date that contributions were originally due. Amounts due from
 17 an employer and interest as prescribed in this subsection may be claimed by the
 18 administrator from any agency of the state or political subdivision that has in its
 19 possession funds of the employer or that is authorized to disburse funds to the
 20 employer that are not restricted by statute or appropriation to a specific purpose. The
 21 amount claimed shall be certified by the administrator as sufficient to pay the
 22 contributions and interest due from the employer. The amount claimed shall be
 23 submitted to the administrator for deposit in the appropriate account or trusts.

24 (c) Employers are responsible for administrative fees, investment fees, and
 25 investment losses charged to accounts established under AS 39.35.730 resulting from
 26 contribution adjustments due to employers enrolling members in the plan before the
 27 members are eligible for membership. Contributions made by employees shall be
 28 returned to the employer by reducing future employee contributions due.
 29 Contributions, net of fees and investment losses, made by employers shall be used to
 30 reduce future employer contributions due.

31 * **Sec. 89.** AS 39.35.780 is amended to read:

1 **Sec. 39.35.780. Limitations on contributions and benefits.** Notwithstanding
 2 any other provisions of this plan, the annual additions to each member's individual
 3 account under this plan and under all defined contribution plans of the employer
 4 required to be aggregated with the contributions from this plan under the provisions of
 5 26 U.S.C. 415 may not exceed, for any limitation year, the amount permitted under **26**
 6 **U.S.C. 415(c)** [26 U.S.C. 415] at any time. If the amount of a member's **individual**
 7 **account** [DEFINED CONTRIBUTION PLAN] contributions exceeds the limitation of
 8 26 U.S.C. 415(c) for any limitation year, the administrator shall take any necessary
 9 remedial action to correct an excess contribution. **A fixed benefit provided under**
 10 **this plan may not exceed, for or during a limitation year, the amount permitted**
 11 **under 26 U.S.C. 415(b). If a fixed benefit provided under this plan exceeds, for or**
 12 **during a limitation year, the amount permitted under 26 U.S.C. 415(b), the**
 13 **administrator shall take remedial action necessary to comply with the limits on**
 14 **the benefit amount in 26 U.S.C. 415(b).** The provisions of 26 U.S.C. 415, and the
 15 regulations adopted under that statute, as applied to qualified [DEFINED
 16 CONTRIBUTION] plans of governmental employees are incorporated as part of the
 17 terms and conditions of the plan.

18 * **Sec. 90.** AS 39.35.890(b) is amended to read:

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

25 (1) dies;

26 (2) recovers from the disability;

27 (3) fails to meet the requirements under (f), [OR] (j), **or (l)** of this
 28 section; or

29 (4) reaches normal retirement age.

30 * **Sec. 91.** AS 39.35.890(d) is amended to read:

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

1 the disabled employee's gross monthly compensation at the time of termination due to
 2 disability. **Notwithstanding AS 39.35.790(b), at the time a member is appointed to**
 3 **disability, the member becomes fully vested in the employer contributions made**
 4 **under AS 39.35.750(a). A disabled member is fully vested in the contributions to**
 5 **the member's individual account made under this subsection. An employee is not**
 6 **entitled to elect distributions from the employee's individual contribution**
 7 **account under AS 39.35.810 while the employee is receiving disability benefits**
 8 **under this section.** While an employee is receiving disability benefits, based on the
 9 disabled employee's gross monthly compensation at the time of termination due to
 10 disability, the employer shall make contributions

11 (1) to the employee's individual account under AS 39.35.730 on behalf
 12 of the employee, without deduction from the employee's disability payments; and

13 (2) on behalf of the employee under AS 39.35.750.

14 * **Sec. 92.** AS 39.35.890(g) is amended to read:

15 (g) A disabled employee's occupational disability benefit terminates **the last**
 16 **day of the month in which** [WHEN] the disabled employee first **qualifies**
 17 [ATTAINS ELIGIBILITY] for normal retirement. At that time, the employee's
 18 retirement benefit shall be determined under the provisions of AS 39.35.820 -
 19 39.35.840, 39.35.870, and 39.35.880. An employee **whose occupational disability**
 20 **benefit terminates under this subsection** [RECEIVING DISABILITY BENEFITS
 21 UP UNTIL ELIGIBILITY FOR RETIREMENT] shall be considered to have retired
 22 directly from the plan.

23 * **Sec. 93.** AS 39.35.890(h) is amended to read:

24 (h) Notwithstanding (g) of this section, at the time a peace officer or fire
 25 fighter receiving occupational disability benefits under this section first attains
 26 eligibility for normal retirement, the employee shall irrevocably elect to receive
 27 retirement benefits in the amount calculated as the

28 (1) employee's retirement benefit calculated under the provisions of
 29 AS 39.35.820 - 39.35.840; or

30 (2) employee's retirement benefit calculated as if the provisions of
 31 AS 39.35.370(c) were to apply; however, **pension** [RETIREMENT] benefits paid

1 under this paragraph **must be paid first from the peace officer's or fire fighter's**
 2 **individual contribution account, and the remaining benefits must be paid from**
 3 **the trust account established under AS 39.35.750(e); the peace officer or fire**
 4 **fighter may not elect other distributions from the peace officer's or fire fighter's**
 5 **individual contribution account under AS 39.35.810** [MAY NOT BE MADE
 6 FROM THE TRUST FUND OF THE PUBLIC EMPLOYEES' DEFINED BENEFIT
 7 RETIREMENT PLAN].

8 * **Sec. 94.** AS 39.35.890(k) is amended to read:

9 (k) Upon the death of a disabled employee who is receiving or is entitled to
 10 receive an occupational disability benefit, the administrator shall pay the surviving
 11 spouse a surviving spouse's pension, equal to 40 percent of the employee's monthly
 12 compensation at the **time of** termination of employment because of occupational
 13 disability. If there is no surviving spouse, the administrator shall pay the survivor's
 14 pension in equal parts to the dependent children of the employee. **While the monthly**
 15 **survivor's pension is being paid, the survivor is not entitled to elect distributions**
 16 **from the employee's individual contribution account under AS 39.35.810.** The
 17 first payment of the surviving spouse's pension or of a dependent child's pension shall
 18 accrue from the first day of the month following the employee's death and is payable
 19 the last day of the month. The last payment shall be made **the last day of** [FOR] the
 20 last month in which there is an eligible surviving spouse or **dependent** child, **or the**
 21 **last day of the month in which the employee would have first qualified for normal**
 22 **retirement if the employee had survived, whichever day comes sooner. A**
 23 **retirement benefit shall be determined under the provisions of AS 39.35.820 -**
 24 **39.35.840, 39.35.870, and 39.35.880 based on** [. ON] the date the **employee would**
 25 **have first qualified for** normal retirement [OF THE EMPLOYEE WOULD HAVE
 26 OCCURRED] if the employee had **survived. In addition to payment of the**
 27 **member's individual account, the surviving spouse or, if there is no surviving**
 28 **spouse, the surviving dependent children of the member, shall receive an**
 29 **additional benefit in an amount equal to the accumulated contributions that**
 30 **would have been made to the deceased member's individual account under**
 31 **AS 39.35.730(a) and 39.35.750(a), based on the deceased member's gross monthly**

1 compensation at the time of occupational disability, from the time of the
 2 member's death to the date the member would have first qualified for normal
 3 retirement if the member had survived. Earnings shall be allocated to the
 4 additional benefit calculated under this subsection based on the actual rate of
 5 return, net of expenses, of the trust account established under AS 39.35.750(e)
 6 over the period that the contributions would have been made. This additional
 7 amount and allocated earnings shall be paid in the same manner as determined
 8 for the member's individual account under AS 39.35.820 - 39.35.860 to the extent
 9 permitted by the Internal Revenue Service. For the purpose of determining
 10 eligibility of an employee's survivor who is receiving a benefit under this
 11 subsection for medical benefits under AS 39.35.870 - 39.35.880, an employee
 12 [LIVED, THE RETIREMENT BENEFIT SHALL BE DETERMINED UNDER THE
 13 PROVISIONS OF AS 39.35.820 - 39.35.840, 39.35.870, AND 39.35.880. AN
 14 EMPLOYEE] who died while receiving disability benefits shall be considered to have
 15 retired directly from the plan on the date the employee would have first qualified for
 16 normal retirement if the employee had survived. The period during which the
 17 employee was eligible for a disability benefit and the period during which a
 18 survivor's pension is paid to a survivor under this subsection each constitute
 19 membership service for the purposes of determining eligibility for medical
 20 benefits under this chapter and AS 39.30.300 - 39.30.495 [NORMAL
 21 RETIREMENT OF THE EMPLOYEE WOULD HAVE OCCURRED IF THE
 22 EMPLOYEE HAD LIVED].

23 * **Sec. 95.** AS 39.35.890(l) is amended to read:

24 (l) In this section, "occupational disability" means a physical or mental
 25 condition that the administrator determines presumably permanently prevents
 26 an employee from satisfactorily performing the employee's usual duties or the
 27 duties of another comparable position or job available to the employee and for
 28 which the employee is qualified by training or education; however, the proximate
 29 cause of the condition must be a bodily injury sustained, or a hazard undergone,
 30 while in the performance and within the scope of the employee's duties and not
 31 the proximate result of the wilful negligence of the employee [HAS THE

1 MEANING GIVEN IN AS 39.35.680].

2 * **Sec. 96.** AS 39.35.890 is amended by adding a new subsection to read:

3 (m) While a survivor under (k) of this section is receiving a survivor's
4 pension, the employer of the deceased employee shall make contributions with respect
5 to the survivor based on the deceased employee's gross monthly compensation at the
6 time of termination due to disability

7 (1) that would have been paid to the employee's individual account
8 under AS 39.35.730 and 39.35.750(a), to the trust account established under
9 AS 39.35.750(e), without deduction from the survivor's pension; and

10 (2) to the appropriate accounts and funds under AS 39.35.750(b) - (e).

11 * **Sec. 97.** AS 39.35 is amended by adding a new section to read:

12 **Sec. 39.35.891. Disability benefit and disabled peace officer or fire fighter**
13 **retirement benefit adjustment.** (a) Once each year, the administrator shall increase
14 disability benefits and retirement benefits elected by disabled peace officers or fire
15 fighters under AS 39.35.890(h)(2). The amount of the increase is a percentage of the
16 current disability benefit or retirement benefit equal to the lesser of 75 percent of the
17 increase in the cost of living in the preceding calendar year or nine percent.

18 (b) If a disabled member was not receiving a benefit during the entire
19 preceding calendar year, the increase in the benefit under this section shall be adjusted
20 by multiplying it by a fraction, the numerator of which is the number of months for
21 which the benefit was received in the preceding calendar year and the denominator of
22 which is 12.

23 (c) If a disabled peace officer or fire fighter elects to receive a retirement
24 benefit in the amount calculated under AS 39.35.890(h)(2), the administrator shall, at
25 the time the disabled peace officer or fire fighter is appointed to retirement, increase
26 the retirement benefit by a percentage equal to the total cumulative percentage that has
27 been applied to the disabled peace officer's or fire fighter's disability benefit under this
28 section.

29 (d) An increase in benefit payments under this section is effective July 1 of
30 each year and is based on the percentage increase in the Consumer Price Index for
31 urban wage earners and clerical workers for Anchorage, Alaska, during the previous

1 calendar year, as determined by the United States Department of Labor, Bureau of
2 Labor Statistics.

3 (e) Benefit adjustments under this section shall terminate the last day of the
4 month following the date on which a disabled member is no longer receiving a
5 disability benefit under AS 39.35.890, unless the member is a disabled peace officer or
6 fire fighter and has chosen a retirement benefit under AS 39.35.890(h)(2).

7 * **Sec. 98.** AS 39.35.892(b) is amended to read:

8 (b) The first payment of the surviving spouse's pension or of a dependent
9 child's pension shall be made for the month following the month in which the
10 employee dies. **Payments** [, AND PAYMENT] shall cease **on the last day of the**
11 **month in which there is no longer an eligible spouse or eligible dependent child,**
12 **or the last day of the month following the earliest date** [TO BE MADE
13 BEGINNING WITH THE MONTH IN WHICH] the employee would have first
14 qualified for **normal** retirement **if the employee had survived, whichever day is**
15 **sooner.**

16 * **Sec. 99.** AS 39.35.892(c) is amended to read:

17 (c) The monthly survivor's pension in (b) of this section for survivors of
18 employees who were not peace officers or fire fighters is 40 percent of the employee's
19 monthly compensation in the month in which the employee dies. The monthly
20 survivor's pension in (b) of this section for survivors of employees who were peace
21 officers or fire fighters is 50 percent of the monthly compensation in the month in
22 which the employee dies. **While the monthly survivor's pension is being paid, the**
23 **survivor is not entitled to elect distributions from the employee's individual**
24 **contribution account under AS 39.35.810, except as required by AS 39.35.840.**
25 While the monthly survivor's pension is being paid, the employer shall make
26 contributions **with respect to** [ON BEHALF OF] the employee's **surviving spouse**
27 **and employee's surviving dependent children** [BENEFICIARIES] based on the
28 deceased employee's gross monthly compensation at the time of occupational death

29 (1) **that would have been paid** to the employee's individual account
30 under AS 39.35.730 **and 39.35.750(a), to the trust account established under**
31 **AS 39.35.750(e),** without deduction from the survivor's pension; and

1 (2) to the appropriate accounts and funds under AS 39.35.750(b) - (e)
 2 [AS 39.35.750].

3 * **Sec. 100.** AS 39.35.892(e) is amended to read:

4 (e) On the date the employee would have first qualified for normal
 5 retirement [OF THE EMPLOYEE WOULD HAVE OCCURRED] if the employee
 6 had survived [LIVED], the retirement benefit shall be determined under the
 7 provisions of AS 39.35.820 - 39.35.840, 39.35.870, and 39.35.880. In addition to
 8 payment of the member's individual account, the surviving spouse or, if there is
 9 no surviving spouse, the surviving dependent children of the member, shall
 10 receive an additional benefit in an amount equal to the accumulated
 11 contributions that would have been made to the deceased member's individual
 12 account under AS 39.35.730(a) and 39.35.750(a), based on the deceased member's
 13 gross monthly compensation at the time of occupational death, from the time of
 14 the member's death to the date the member would have first qualified for normal
 15 retirement if the member had survived. Earnings shall be allocated to the
 16 additional benefit calculated under this subsection based on the actual rate of
 17 return, net of expenses, of the trust account established under AS 39.35.750(e)
 18 over the period that such contributions would have been made. This additional
 19 amount and allocated earnings shall be paid in the same manner as determined
 20 for the member's individual account under AS 39.35.820 - 39.35.860 to the extent
 21 permitted by the Internal Revenue Service. An employee who died and whose
 22 survivors receive occupational death benefits under this section shall be considered to
 23 have retired directly from the plan on the date the [NORMAL RETIREMENT OF
 24 THE] employee would have first qualified for normal retirement [OCCURRED] if
 25 the employee had survived. The period of time during which a survivor's pension
 26 is paid under this section constitutes membership service for the purpose of
 27 determining vesting in employer contributions under AS 39.35.790(b) and
 28 eligibility for medical benefits under this chapter and AS 39.30.300 - 39.30.495
 29 [LIVED].

30 * **Sec. 101.** AS 39.35 is amended by adding new sections to read:

31 **Sec. 39.35.893. Survivor's pension adjustment.** (a) Once each year, the

1 administrator shall increase payments to a person 60 years of age or older receiving a
2 survivor's pension under AS 39.35.890(k) or 39.35.892(c) and to a person who has
3 received a survivor's pension under AS 39.35.890(k) or 39.35.892(c) for at least five
4 years, who is not otherwise eligible for an increase under this section.

5 (b) The amount of the increase is a percentage of the current survivor's
6 pension equal to the lesser of 50 percent of the increase in the cost of living in the
7 preceding calendar year or six percent.

8 (c) If a survivor was not receiving a pension during the entire preceding
9 calendar year, the increase in the survivor's pension under this section shall be
10 adjusted by multiplying it by a fraction, the numerator of which is the number of
11 months for which the pension was received in the preceding calendar year and the
12 denominator of which is 12.

13 (d) The administrator shall increase the initial survivor's pension paid to a
14 survivor of a member who died while receiving disability benefits by a percentage
15 equal to the total cumulative percentage that has been applied to the member's
16 disability benefit under AS 39.35.891.

17 (e) An increase in benefit payments under this section is effective July 1 of
18 each year and is based on the percentage increase in the Consumer Price Index for
19 urban wage earners and clerical workers for Anchorage, Alaska, during the previous
20 calendar year, as determined by the United States Department of Labor, Bureau of
21 Labor Statistics.

22 (f) Pension adjustments under this section shall terminate the last day of the
23 month following the date on which a survivor is no longer receiving a survivor's
24 pension under AS 39.35.890(k) or 39.35.892(c).

25 **Sec. 39.35.894. Premiums for retiree major medical insurance coverage**
26 **upon termination of disability benefits or survivor's pension.** The premium for
27 retiree major medical insurance coverage payable by an employee whose disability
28 benefit is terminated under AS 39.35.890(g) or by an eligible survivor whose survivor
29 pension is terminated under AS 39.35.890(k) or 39.35.892(e) when the employee
30 would have been eligible for normal retirement if the employee had survived shall be
31 determined under AS 39.35.880(g)(2) as if the employee or survivor were eligible for

1 Medicare.

2 * **Sec. 102.** AS 39.35.900 is amended by adding new subsections to read:

3 (d) The administrator will use forfeitures in the fixed benefit account of the
4 plan that arise for any reason, including from termination of employment or death, to
5 reduce employer contributions. Forfeitures may not be applied to increase the benefits
6 of any member.

7 (e) The administrator will determine the amount of any fixed benefit that is
8 determined on the basis of actuarial tables using assumptions approved by the
9 commissioner. The amount of benefits is not subject to employer discretion.

10 * **Sec. 103.** AS 39.35.910 is amended to read:

11 **Sec. 39.35.910. Nonguarantee of returns, rates, or benefit amounts.** The
12 plan created by AS 39.35.700 - 39.35.990 is, with respect to individual accounts,
13 treated as a defined contribution plan, and not a defined benefit plan. The amount of
14 money in the individual account of a participant depends on the amount of
15 contributions and the rate of return from investments of the account that varies over
16 time. If benefits are paid in the form of an annuity, the benefit amount payable is
17 dependent on the amount of money in the account and the interest rates applied and
18 service fees charged by the annuity payor at the time the annuity is purchased from
19 the carrier and benefits are first paid. Nothing in this plan guarantees a participant

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

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

25 * **Sec. 104.** AS 39.35.940(c) is amended to read:

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

1 retirement plan established under AS 39.35.095 - 39.35.680. **The amount of the**
 2 **matching employer contribution shall be subject to, and may not exceed, the**
 3 **limitation of 26 U.S.C. 415(c) during the applicable limitation year as defined by**
 4 **AS 39.35.990. If the matching employer contribution would exceed the limits**
 5 **during the limitation year in which the transfer occurs, the remaining amount of**
 6 **the matching employer contribution shall be made in the next limitation year, if**
 7 **the limits would not be exceeded.**

8 * **Sec. 105.** AS 39.35.940(d) is amended to read:

9 (d) Upon a transfer, all membership service previously earned under the
 10 defined benefit retirement plan shall be nullified for purposes of entitlement to a future
 11 benefit under the defined benefit retirement plan but shall be credited for purposes of
 12 **determining vesting in employer contributions under AS 39.35.790(b) and**
 13 eligibility to elect medical benefits under AS 39.35.870. Membership service allowed
 14 for credit toward medical benefits does not include any service credit purchased for
 15 employment by an employer who is not a participating employer in this chapter.

16 * **Sec. 106.** AS 39.35.940(h) is amended to read:

17 (h) **An employee who is eligible to elect transfer to the defined**
 18 **contribution retirement plan must make the election not later than 12 months**
 19 **after the first day of the month following the administrator's receipt of the**
 20 **notification that the employee's employer consents to transfers of its employees**
 21 **under (i) of this section.** The election to participate in the defined contribution
 22 retirement plan must be made in writing on forms and in the manner prescribed by the
 23 administrator. Before accepting an election to participate in the defined contribution
 24 retirement plan, the administrator must provide the employee planning on making an
 25 election to participate in the defined contribution retirement plan with information,
 26 including calculations to illustrate the effect of moving the employee's retirement plan
 27 from the defined benefit retirement plan to the defined contribution retirement plan as
 28 well as other information to clearly inform the employee of the potential consequences
 29 of the employee's election. An election made under this subsection to participate in the
 30 defined contribution retirement plan is irrevocable. Upon making the election, the
 31 participant shall be enrolled as a member of the defined contribution retirement plan,

1 the member's participation in the plan shall be governed by the provisions of
 2 AS 39.35.700 - 39.35.990, and the member's participation in the defined benefit
 3 retirement plan under AS 39.35.115 shall terminate. The participant's enrollment in the
 4 defined contribution retirement plan shall be effective the first day of the month after
 5 the administrator receives the completed enrollment forms. An election made by an
 6 eligible member who is married is not effective unless the election is signed by the
 7 individual's spouse.

8 * **Sec. 107.** AS 39.35 is amended by adding new sections to read:

9 **Sec. 39.35.957. Designation of eligible employees, agreement to contribute,**
 10 **and amendment of participation.** (a) A political subdivision or public organization
 11 participating in the defined contribution retirement plan under AS 39.35.700 -
 12 39.35.990 shall designate the departments, groups, or other classifications of
 13 employees eligible to participate in the plan and, by participating, shall legally be
 14 presumed to have agreed to make contributions each year in the amounts required for
 15 members of the plan under AS 39.35.750.

16 (b) If the employer does not participate in the defined benefit retirement plan
 17 under AS 39.35.095 - 39.35.680, an employee who is eligible under (a) of this section
 18 and who is a member of the defined benefit retirement plan under AS 39.35.095 -
 19 39.35.680 does not accrue credited service or make contributions under that defined
 20 benefit retirement plan, but shall be a member of the defined contribution retirement
 21 plan under AS 39.35.700 - 39.35.990 and make contributions under that plan.

22 (c) An employer may request to amend its participation in the plan to add or
 23 exclude departments, groups, or other classifications of employees by filing a
 24 resolution as provided by AS 39.35.950 or 39.35.955 with the administrator.

25 **Sec. 39.35.958. Termination of participation in the plan.** (a) A political
 26 subdivision or public organization may request that its participation in the plan be
 27 terminated. The request may be made only after adoption of a resolution by the
 28 legislative body of the political subdivision and approval of the resolution by the
 29 person required by law to approve the resolution, or, in the case of a public
 30 organization, after adoption of a resolution by the governing body of that public
 31 organization. A certified copy of the resolution shall be filed with the administrator.

1 (b) If contributions are not transmitted to the plan within the prescribed time
2 limit, the administrator may grant an extension and shall assess interest on the
3 outstanding contributions at the rate established under AS 39.35.610. If the political
4 subdivision or public organization is in default at the end of the extension,
5 participation in the plan is terminated, and it shall be sent notice of termination.

6 (c) When an employer's participation in the plan is terminated, or when an
7 employer terminates coverage of a department, group, or other classification of
8 employees under AS 39.35.957(c), the administrator shall assess the employer a
9 termination cost that the administrator determines is actuarially required to fully fund
10 the costs to the plan for employees whose coverage is terminated, including the cost of
11 providing the employer's share of retiree health benefits under AS 39.35.880,
12 occupational disability and occupational death benefits under AS 39.35.890 and
13 39.35.892, and pension benefits elected under AS 39.35.890(h)(2).

14 (d) An employee whose coverage under the plan is terminated as a result of
15 termination of an employer's participation under this section or amendment of the
16 employer's agreement under AS 39.35.957(c) shall be considered fully vested in
17 employer contributions under AS 39.35.790(b) and in the individual account
18 established for the employee under AS 39.30.730. If the employee is later employed
19 with a participating employer, the employee's membership service earned under the
20 plan during employment with a terminated employer shall be credited for purposes of
21 determining vesting in employer contributions under AS 39.35.790(b) and eligibility
22 for medical benefits under this chapter and AS 39.30.300 - 39.30.495.

23 (e) An employer terminating participation in the plan shall pay termination
24 costs determined by the administrator, or enter into a payment plan acceptable to the
25 administrator, within 60 days of the employer's receiving notice of its termination
26 costs from the administrator. Termination costs not paid within the prescribed time
27 limit or in accordance with the approved payment plan shall be collected by the
28 administrator in accordance with AS 39.35.610(b). Termination of participation by an
29 employer in the plan does not bar future participation by the employer if the employer
30 has paid in full its prior termination costs.

31 (f) A political subdivision or public organization considering or requesting

1 termination from the plan shall pay the cost associated with obtaining a termination
2 cost study associated with the employer's termination.

3 * **Sec. 108.** AS 39.35 is amended by adding a new section to read:

4 **Sec. 39.35.972. Special rules for treatment of qualified military service.**

5 Notwithstanding any contrary provisions of AS 39.35.700 - 39.35.990, with respect to
6 qualified military service, contributions shall be made and benefits and service credit
7 shall be provided in accordance with 26 U.S.C. 414(u).

8 * **Sec. 109.** AS 39.35.990(7) is amended to read

9 (7) "compensation"

10 (A) means

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

15 (ii) the member contribution to the public employees'
16 retirement system under AS 39.35.730, employee deferrals under
17 AS 39.45.010, the wage reduction amount contributed to the Alaska
18 Supplemental Annuity Plan under AS 39.30.150(a), and the wage
19 reduction amount contributed to the Alaska Supplemental Benefit Plan
20 under AS 39.30.150(c), as those statutes may be amended from time to
21 time;

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

1 THE SOCIAL SECURITY TAXABLE WAGE BASE FOR THE
2 CALENDAR YEAR];

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

12 * **Sec. 110.** AS 39.35.990(16) is amended to read:

13 (16) "member" or "employee" means a person who is eligible to
14 participate in the plan and who is covered by [AN EMPLOYEE OF AN
15 EMPLOYER OR FORMER EMPLOYEE OF AN EMPLOYER WHO RETAINS A
16 RIGHT TO BENEFITS UNDER] the plan, including the governor, the lieutenant
17 governor, and a member of the legislature, but does not include full-time or part-
18 time instructors of the Department of Labor and Workforce Development and the
19 Department of Education and Early Development in positions that require a
20 teaching certificate;

21 * **Sec. 111.** AS 39.35.990(20) is amended to read:

22 (20) "peace officer" or "fire fighter" means an employee occupying a
23 position as a peace officer, chief of police, regional public safety officer,
24 correctional officer, correctional superintendent, fire fighter, fire chief, or
25 probation officer, but does not include a village public safety officer employed by
26 a village public safety officer program established under AS 18.65.670 [HAS THE
27 MEANING GIVEN IN AS 39.35.680];

28 * **Sec. 112.** AS 39.45.020 is amended by adding a new subsection to read:

29 (d) The administrator of a deferred compensation program under this chapter
30 has the powers and duties with regard to the program as set out in AS 14.25.003 and
31 14.25.004, as though those provisions applied to the program.

1 * **Sec. 113.** AS 39.45 is amended by adding a new section to read:

2 **Sec. 39.45.055. Appeals.** A final decision made under AS 39.45.010 -
3 39.45.060 is subject to appeal under AS 44.64.

4 * **Sec. 114.** AS 44.64.030(a) is amended by adding new paragraphs to read:

5 (35) AS 14.25.175 (waiver of adjustments under teachers' defined
6 benefit plan);

7 (36) AS 39.30.165 (supplemental benefits system);

8 (37) AS 39.30.335 (teachers' and public employees' health
9 reimbursement arrangement plan);

10 (38) AS 39.35.522 (waiver of adjustments under public employees'
11 defined benefit plan);

12 (39) AS 39.45.055 (public employees' deferred compensation
13 program).

14 * **Sec. 115.** (a) AS 14.25.045, 14.25.340(b), 14.25.570; AS 39.35.050(a), 39.35.370(k),
15 39.35.615(d), 39.35.615(f), 39.35.620(c), 39.35.620(f), 39.35.620(h), and 39.35.730(b) are
16 repealed.

17 (b) AS 39.35.375(f) is repealed.

18 (c) Sections 15 and 91, ch. 9, FSSLA 2005, are repealed.

19 * **Sec. 116.** The uncodified law of the State of Alaska is amended by adding a new section
20 to read:

21 EMPLOYER CONTRIBUTIONS FOR FISCAL YEAR 2008 FOR
22 OCCUPATIONAL DISABILITY AND OCCUPATIONAL DEATH BENEFITS IN THE
23 TEACHERS' DEFINED CONTRIBUTION RETIREMENT PLAN. Notwithstanding
24 AS 14.25.350(e), enacted by sec. 20 of this Act, for fiscal year 2008 the employer
25 contribution to fully finance the cost of providing occupational disability and occupational
26 death benefits under AS 14.25.485 and 14.25.487 shall be equal to 0.62 percent of the amount
27 of compensation paid to all teachers who work for the employer in that year and are members
28 of the teachers' defined contribution retirement plan.

29 * **Sec. 117.** The uncodified law of the State of Alaska is amended by adding a new section
30 to read:

31 TRANSFER OF FUNDS TO ALASKA RETIREE HEALTH CARE TRUSTS. The

1 commissioner of administration shall transfer to the Alaska retiree health care trusts
2 established under AS 39.30.097, enacted by sec. 50 of this Act, all funds for payment of
3 retiree health benefits that have been deposited in the group health and life benefits fund
4 under AS 39.30.095, including funds in the retiree health insurance fund, and all funds from
5 any fund or account into which funds for provision of retiree health benefits have been
6 deposited. The commissioner of administration shall make the transfer on July 1, 2007, or
7 immediately after July 1, 2007 when the funds become available to the commissioner for
8 transfer.

9 * **Sec. 118.** Sections 5, 6, 17, 60, 68, 69, 81, and 115(b) of this Act take effect July 1, 2010.

10 * **Sec. 119.** Except as provided in sec. 118 of this Act, this Act takes effect immediately
11 under AS 01.10.070(c).