

CS FOR HOUSE BILL NO. 204(W&M)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIFTH LEGISLATURE - FIRST SESSION

BY THE HOUSE SPECIAL COMMITTEE ON WAYS AND MEANS

Offered: 4/10/07

Referred: Finance

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

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
 4 CONTRIBUTIONS AND INTEREST MAY BE DEDUCTED BY THE
 5 DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT FROM THE
 6 STATE FUNDS DUE THE SCHOOL DISTRICT AND THE AMOUNT SO
 7 DEDUCTED TRANSMITTED TO THE PLAN FOR DEPOSIT IN THE
 8 RETIREMENT FUND.] Amounts due from **an employer** [THE UNIVERSITY OF
 9 ALASKA] and interest as prescribed in this section may be **claimed** [DEDUCTED]
 10 by the **administrator** [COMMISSIONER OF ADMINISTRATION] from any **agency**
 11 **of the state or political subdivision that has in its possession funds of the**
 12 **employer or that is authorized to disburse funds to the employer that are not**
 13 **restricted by statute or appropriation to a specific purpose. The amount claimed**
 14 **shall be certified by the administrator as sufficient to pay the contributions and**
 15 **interest due from the employer. The amount claimed shall be submitted to the**
 16 **administrator for deposit in the retirement fund and the Alaska retiree health**
 17 **care trust** [STATE FUNDS DUE THE UNIVERSITY OF ALASKA AND THE
 18 AMOUNT DEDUCTED TRANSMITTED TO THE ADMINISTRATOR FOR
 19 DEPOSIT IN THE RETIREMENT FUND].

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

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

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

1 (d) Employer contributions shall be separately computed for benefits provided
 2 by AS 14.25.168 and shall be deposited in the Alaska retiree health care trust
 3 established under AS 39.30.097(a).

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

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

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

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

19 (f) The administrator may accept rollover contributions from a member, and
 20 direct transfers as described in this subsection, for the purchase, in whole or in part, of
 21 forfeited credited service under this section for the reinstatement, in whole or in part,
 22 of forfeited credited service under AS 14.25.062. Contributions made under this
 23 subsection may not be applied to purchase service being paid under (b) of this section.
 24 A rollover contribution or transfer as described in this subsection shall be treated as
 25 employer contributions for the purpose of determining tax treatment under the Internal
 26 Revenue Code and may be made by any one or a combination of the following
 27 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)** [PROGRAMS OF ANOTHER EMPLOYER
 31 THAT ARE QUALIFIED UNDER 26 U.S.C. 401(a) OR ACCEPTING

1 ROLLOVERS DIRECTLY FROM A MEMBER];

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

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

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

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

18 * **Sec. 5.** AS 14.25.075(f), as amended by sec. 4 of this Act, is amended to read:

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

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

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

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

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

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

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

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

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

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

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

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

28 (3) "eligible retirement plan"

29 [(A)] means

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

1 **(B)** [(ii)] an individual retirement annuity defined in 26 U.S.C.
2 408(b);

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

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

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

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

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

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

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

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

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

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

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

29 (D) the portion of any distribution that is not includable in
30 gross income; **however, a portion under this subparagraph may be**
31 **transferred only to an individual retirement account or annuity described**

1 following methods:

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

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

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

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

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

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

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

31 **Sec. 14.25.310. Applicability of AS 14.25.310 - 14.25.590.** The provisions of

1 AS 14.25.310 - 14.25.590 apply only to teachers who first become members on or
 2 after July 1, 2006, **to members who are employed by employers that do not**
 3 **participate in the defined benefit retirement plan established under AS 14.25.009**
 4 **- 14.25.220,** or to members who transfer into the defined contribution **retirement** plan
 5 under AS 14.25.540.

6 * **Sec. 17.** AS 14.25.310, as amended by sec. 16 of this Act, is amended to read:

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

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

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

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

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

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

29 (e) An employer shall make annual contributions to a trust account in the plan,
 30 applied as a percentage of each member's compensation from July 1 to the following
 31 June 30, in an amount determined by the board to be actuarially required to fully fund

1 the cost of providing occupational disability and occupational death benefits under
2 AS 14.25.310 - 14.25.590.

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

4 (3) "eligible retirement plan" means

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

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

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

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

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

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

12 **408(b); or**

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

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

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

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

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

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

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

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

1 accounting for the portion of the distribution that is includable in gross
 2 income and the portion of the distribution that is not includable in gross
 3 income; 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. 23.** AS 14.25.370 is amended to read:

9 **Sec. 14.25.370. Transmittal of contributions.** All contributions deducted in
 10 accordance with AS 14.25.310 - 14.25.590 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 with the final contributions due for any school year transmitted not later than
 14 July 15.

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

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

26 (c) An employer is responsible for administrative fees, investment fees, and
 27 investment losses charged to accounts established under AS 14.25.340 resulting from
 28 contribution adjustments because the employer enrolled a member in the plan before
 29 the member was eligible for membership. Contributions made by an employee shall be
 30 returned to the employer by reducing future employee contributions due.
 31 Contributions, net of fees and investment losses, made by an employer shall be used to

1 reduce future employer contributions due.

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

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

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

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

27 (1) dies;

28 (2) recovers from the disability;

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

30 section; or

31 (4) reaches normal retirement age.

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

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

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

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

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

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

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

26 (i) Upon the death of a disabled member who is receiving or is entitled to
 27 receive an occupational disability benefit, the administrator shall pay the surviving
 28 spouse a surviving spouse's pension, equal to 40 percent of the member's monthly
 29 compensation at the **time of** termination of employment because of occupational
 30 disability. If there is no surviving spouse, the administrator shall pay the survivor's
 31 pension in equal parts to the dependent children of the member. **While the monthly**

1 **survivor's pension is being paid, the survivor is not entitled to elect distributions**
 2 **from the member's individual contribution account under AS 14.25.410.** The first
 3 payment of the surviving spouse's pension or of a dependent child's pension shall
 4 accrue from the first day of the month following the member's death and is payable the
 5 last day of the month. The last payment shall be made **the last day of** [FOR] the last
 6 month in which there is an eligible surviving spouse or **dependent child, or the last**
 7 **day of the month in which the member would have first qualified for normal**
 8 **retirement if the member had survived, whichever day is sooner. A retirement**
 9 **benefit shall be determined under the provisions of AS 14.25.420 - 14.25.440,**
 10 **14.25.470, and 14.25.480 based on** [. ON] the date the **member would have first**
 11 **qualified for** normal retirement [OF THE MEMBER WOULD HAVE OCCURRED]
 12 if the member had **survived. In addition to the payment of the member's**
 13 **individual account, the surviving spouse or, if there is no surviving spouse, the**
 14 **surviving dependent children of the member, shall receive an additional benefit**
 15 **in an amount equal to the accumulated contributions that would have been made**
 16 **to the deceased member's individual account under AS 14.25.340(a) and**
 17 **14.25.350(a), based on the deceased member's gross monthly compensation at the**
 18 **time of occupational disability, from the time of the member's death to the date**
 19 **the member would have first qualified for normal retirement if the member had**
 20 **survived. Earnings shall be allocated to the additional benefit calculated under**
 21 **this subsection based on the actual rate of return, net of expenses, of the trust**
 22 **account established under AS 14.25.350(e) over the period that the contributions**
 23 **would have been made. This additional amount and allocated earnings shall be**
 24 **paid in the same manner as determined for the member's individual account**
 25 **under AS 14.25.420 - 14.25.460 to the extent permitted by the Internal Revenue**
 26 **Service. For the purpose of determining eligibility of a survivor who is receiving a**
 27 **benefit under this subsection for medical benefits under AS 14.25.470 and**
 28 **14.25.480, a** [LIVED, THE RETIREMENT BENEFIT SHALL BE DETERMINED
 29 UNDER THE PROVISIONS OF AS 14.25.420 - 14.25.440, 14.25.470, AND
 30 14.25.480. A] member who died while receiving disability benefits shall be considered
 31 to have retired directly from the plan on the date the **member would have first**

1 **qualified for** normal retirement [OF THE MEMBER WOULD HAVE OCCURRED]
 2 if the member had **survived. The period during which the member was eligible for**
 3 **a disability benefit and the period during which a survivor's pension is paid to a**
 4 **survivor under this subsection each constitute membership service for the**
 5 **purposes of determining eligibility for medical benefits under AS 14.25.310 -**
 6 **14.25.590 and AS 39.30.300 - 39.30.495** [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 wilful 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 the 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 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 during which a survivor's pension is paid
 28 under this subsection 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 AS 14.25.310 - 14.25.590 and AS 39.30.300 -
 31 39.30.495 [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 of administration. The amount of benefits is not subject to employer
 12 discretion.

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

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

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

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

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

29 (c) Each eligible member who elects to participate in the defined contribution
 30 retirement plan shall have transferred to a new account the member contribution
 31 account balance held in trust for the member under the defined benefit retirement plan

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

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

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

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

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

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

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

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

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

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

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

17 (7) "compensation"

18 (A) means

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

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

25 (B) does not include retirement benefits, severance pay or other
 26 separation bonuses, welfare benefits, per diem, expense allowances, workers'
 27 compensation payments, payments for leave not used whether those leave
 28 payments are scheduled payments, lump-sum payments, donations, or cash-ins,
 29 any remuneration contributed by the employer for or on account of the
 30 employee under this plan or under any other qualified or nonqualified
 31 employee benefit plan, **or** any remuneration not specifically included above

1 that would have been excluded under 26 U.S.C. 3121(a) (Internal Revenue
 2 Code) if the employer had remained in the Federal Social Security System [,
 3 OR ANY REMUNERATION PAID BY THE EMPLOYER IN EXCESS OF
 4 THE SOCIAL SECURITY TAXABLE WAGE BASE FOR THE
 5 CALENDAR YEAR];

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

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

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

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

19 (3) "eligible retirement plan"

20 [(A)] means

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

23 **(B)** [(ii)] an individual retirement annuity defined in 26 U.S.C.
 24 408(b);

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

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

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

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

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

1 **U.S.C. 408A** [AND

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

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

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

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

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

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

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

29 (E) [A DISTRIBUTION MADE ON OR AFTER JANUARY
 30 1, 2002, THAT IS ON ACCOUNT OF HARDSHIP; AND

31 (F)] other distributions that are reasonably expected to total less

1 than \$200 during a year.

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

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

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

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

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

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

22 * **Sec. 50.** AS 39.30 is amended by adding new sections to article 2 to read:

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

29 (b) The commissioner of administration is authorized to prefund medical
30 benefits provided by AS 14.25.480, AS 39.30.300, and AS 39.35.880 by establishing
31 an irrevocable trust that is exempt from federal income tax under 26 U.S.C. 115 and

1 subject to the applicable financial reporting, disclosure, and actuarial requirements of
2 the Governmental Accounting Standards Board.

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

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

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

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

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

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

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

29 (a) The Department of Administration shall, in accordance with policies
30 prescribed by regulations adopted by the commissioner [OF THE ALASKA
31 RETIREMENT MANAGEMENT BOARD], provide to employees for whom special

1 individual employee benefit accounts are established under AS 39.30.150(c) the
2 following benefit options:

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

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

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

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

12 **Sec. 39.30.165. Appeals.** A final decision made under AS 39.30.150 -
13 39.30.180 is subject to appeal under AS 44.64.

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

15 **Sec. 39.30.335. Appeals.** A final decision made under AS 39.30.300 -
16 39.30.495 is subject to appeal under AS 44.64.

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

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

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

26 **Sec. 39.30.370. Contributions by employers.** For each member of the plan,
27 an employer shall contribute to the teachers' and public employees' retiree health
28 reimbursement arrangement plan trust fund an amount equal to three percent of the
29 **average annual compensation of all employees of all employers in the teachers'**
30 **retirement system and public employees' retirement system** [EMPLOYER'S
31 AVERAGE ANNUAL EMPLOYEE COMPENSATION]. The administrator shall

1 maintain a record for each member to account for employer contributions on behalf of
 2 that member. The board shall establish by regulation the rate of interest to be applied
 3 annually to the amount in a member's individual account.

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

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

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

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

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

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

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

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

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

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

8 * **Sec. 60.** AS 39.35.165(f), as amended by sec. 59 of this Act, is amended to read:

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

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

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

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

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

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

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

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

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

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

7 (3) "eligible retirement plan"

8 [(A)] means

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

11 **(B)** [(ii)] an individual retirement annuity defined in 26 U.S.C.
 12 408(b);

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

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

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

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

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

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

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

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

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

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

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

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

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

17 (E) [A DISTRIBUTION MADE ON OR AFTER JANUARY
 18 1, 2002, THAT IS ON ACCOUNT OF HARDSHIP; AND

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

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

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

1 contribution rate is the sum of the consolidated employer normal cost rate and the
2 past service rate as approved by the board.

3 (b) In (a) of this section, "consolidated employer normal cost rate" means the
4 percentage of compensation of all active employees in the system [PLAN] which, [IF
5 PAID OVER THE PERIOD OF THEIR CREDITED SERVICE AFTER THEIR
6 PAST SERVICE DATE AND] when combined with all employee contributions to the
7 plan, is sufficient to provide the benefits earned during the year beginning after the
8 last valuation date [AFTER SUCH PAST SERVICE DATES]. This percentage is
9 [UNIFORMLY] determined at the plan level for all employers and is applicable to
10 each employer.

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

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

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

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

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

1 shall be remitted by the employer to the administrator in accordance with
2 AS 39.35.610.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26 (i) An employer terminating participation in the plan shall pay termination
27 costs determined by the administrator, or enter into a payment plan acceptable to the
28 administrator, within 60 days after the employer receives notice of the cost.
29 Termination costs not paid within the prescribed time limit or in accordance with the
30 approved payment plan shall be collected by the administrator in accordance with
31 AS 39.35.610(b). Termination of participation by an employer in the plan does not bar

1 future participation by the employer under AS 39.35.700 - 39.35.990 if the employer
2 has paid in full its prior termination costs.

3 (j) A political subdivision or public organization being terminated from the
4 plan shall pay the cost associated with obtaining a termination cost study associated
5 with the employer's termination.

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

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

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

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

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

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

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

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

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

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

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

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

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

20 (18) "employer" means

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

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

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

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

30 **Sec. 39.35.700. Applicability of AS 39.35.700 - 39.35.990.** The provisions of
 31 AS 39.35.700 - 39.35.990 apply only to members first hired on or after July 1, 2006,

1 to members who are employed by employers that do not participate in the
 2 defined benefit retirement plan established under AS 39.35.095 - 39.35.680, or to
 3 members who transfer into the defined contribution retirement plan under
 4 AS 39.35.940.

5 * **Sec. 81.** AS 39.35.700, as amended by sec. 80 of this Act, is amended to read:

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

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

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

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

22 **Sec. 39.35.725. Participation of elected officials of political subdivisions.** (a)

23 An elected official of a political subdivision of the state that participates in both the
 24 plan and the defined benefit plan of AS 39.35.095 - 39.35.680 is a member of the plan
 25 if

26 (1) the political subdivision covers elected officials under
 27 AS 39.35.550 - 39.35.650 and has designated elected officials under AS 39.35.957 as
 28 a classification of employees entitled to participate in the plan; and

29 (2) the elected official receives compensation from the political
 30 subdivision for services as an elected official in the amount of at least \$2,001 a month.

31 (b) An elected official of a political subdivision of the state that participates in

1 the plan but not the defined benefit plan of AS 39.35.095 - 39.35.680 is a member of
2 the plan if

3 (1) the political subdivision has designated elected officials under
4 AS 39.35.957 as a classification of employees entitled to participate in the plan; and

5 (2) the elected official receives compensation from the political
6 subdivision for services as an elected official in the amount of at least \$2,001 a month.

7 (c) An elected official entitled to participate under this section may file a
8 waiver of participation in the plan with the administrator within 30 days after the later
9 of the effective date of this section or the date that the elected official's term of office
10 begins. A waiver is irrevocable for the remainder of the term, or consecutive terms, of
11 office of the elected official.

12 * **Sec. 84.** AS 39.35.750(b) is amended to read:

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

20 * **Sec. 85.** AS 39.35.750(e) is amended to read:

21 (e) An employer shall make annual contributions to **a trust account in** the
22 plan, **applied as a percentage of each member's compensation from July 1 to the**
23 **following June 30,** in an amount determined by the board to be actuarially required to
24 fully fund the cost of providing occupational disability and occupational death benefits
25 under **AS 39.35.700 - 39.35.990 and retirement benefits elected by disabled peace**
26 **officers and fire fighters under AS 39.35.890(h)(2)** [AS 39.35.890 AND 39.35.892].
27 The contribution required under this subsection for peace officers and fire fighters and
28 the contribution required under this subsection for other employees shall be separately
29 calculated based on the actuarially calculated costs for each group of employees.

30 * **Sec. 86.** AS 39.35.760(d)(3) is amended to read:

31 (3) "eligible retirement plan" means

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

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

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

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

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

7 **(F) an individual retirement annuity defined in 26 U.S.C.**

8 **408(b); or**

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

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

11 * **Sec. 87.** AS 39.35.760(d)(4) is amended to read:

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

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

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

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

22 (D) the portion of any distribution that is not includable in
23 gross income; **however, a portion under this subparagraph may be**
24 **transferred only to an individual retirement account or annuity described**
25 **in 26 U.S.C. 408(a) or (b), to a qualified plan described in 26 U.S.C. 401(a)**
26 **or 403(a), or to an annuity contract described in 26 U.S.C. 403(b), that**
27 **agrees to separately account for amounts transferred, including separately**
28 **accounting for the portion of the distribution that is includable in gross**
29 **income and the portion of the distribution that is not includable in gross**
30 **income; 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. 88.** AS 39.35.770 is amended to read:

5 **Sec. 39.35.770. Transmittal of contributions.** All contributions deducted in
6 accordance with AS 39.35.700 - 39.35.990 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 * **Sec. 89.** AS 39.35.770 is amended by adding new subsections to read:

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

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

27 * **Sec. 90.** AS 39.35.780 is amended to read:

28 **Sec. 39.35.780. Limitations on contributions and benefits.** Notwithstanding
29 any other provisions of this plan, the annual additions to each member's individual
30 account under this plan and under all defined contribution plans of the employer
31 required to be aggregated with the contributions from this plan under the provisions of

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

14 * **Sec. 91.** AS 39.35.890(b) is amended to read:

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

21 (1) dies;

22 (2) recovers from the disability;

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

25 (4) reaches normal retirement age.

26 * **Sec. 92.** AS 39.35.890(d) is amended to read:

27 (d) The monthly amount of an occupational disability benefit is 40 percent of
 28 the disabled employee's gross monthly compensation at the time of termination due to
 29 disability. **Notwithstanding AS 39.35.790(b), at the time a member is appointed to**
 30 **disability, the member becomes fully vested in the employer contributions made**
 31 **under AS 39.35.750(a). A disabled member is fully vested in the contributions to**

1 **the member's individual account made under this subsection. An employee is not**
 2 **entitled to elect distributions from the employee's individual contribution**
 3 **account under AS 39.35.810 while the employee is receiving disability benefits**
 4 **under this section.** While an employee is receiving disability benefits, based on the
 5 disabled employee's gross monthly compensation at the time of termination due to
 6 disability, the employer shall make contributions

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

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

10 * **Sec. 93.** AS 39.35.890(g) is amended to read:

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

19 * **Sec. 94.** AS 39.35.890(h) is amended to read:

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

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

26 (2) employee's retirement benefit calculated as if the provisions of
 27 AS 39.35.370(c) were to apply; however, **pension** [RETIREMENT] benefits paid
 28 under this paragraph **must be paid first from the peace officer's or fire fighter's**
 29 **individual contribution account, and the remaining benefits must be paid from**
 30 **the trust account established under AS 39.35.750(e); the peace officer or fire**
 31 **fighter may not elect other distributions from the peace officer's or fire fighter's**

1 **individual contribution account under AS 39.35.810** [MAY NOT BE MADE
2 FROM THE TRUST FUND OF THE PUBLIC EMPLOYEES' DEFINED BENEFIT
3 RETIREMENT PLAN].

4 * **Sec. 95.** AS 39.35.890(k) is amended to read:

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

1 return, net of expenses, of the trust account established under AS 39.35.750(e)
 2 over the period that the contributions would have been made. This additional
 3 amount and allocated earnings shall be paid in the same manner as determined
 4 for the member's individual account under AS 39.35.820 - 39.35.860 to the extent
 5 permitted by the Internal Revenue Service. For the purpose of determining
 6 eligibility of an employee's survivor who is receiving a benefit under this
 7 subsection for medical benefits under AS 39.35.870 - 39.35.880, an employee
 8 [LIVED, THE RETIREMENT BENEFIT SHALL BE DETERMINED UNDER THE
 9 PROVISIONS OF AS 39.35.820 - 39.35.840, 39.35.870, AND 39.35.880. AN
 10 EMPLOYEE] who died while receiving disability benefits shall be considered to have
 11 retired directly from the plan on the date the employee would have first qualified for
 12 normal retirement if the employee had survived. The period during which the
 13 employee was eligible for a disability benefit and the period during which a
 14 survivor's pension is paid to a survivor under this subsection each constitute
 15 membership service for the purposes of determining eligibility for medical
 16 benefits under AS 39.30.300 - 39.30.495 and AS 39.35.700 - 39.35.990 [NORMAL
 17 RETIREMENT OF THE EMPLOYEE WOULD HAVE OCCURRED IF THE
 18 EMPLOYEE HAD LIVED].

19 * **Sec. 96.** AS 39.35.890(l) is amended to read:

20 (l) In this section, "occupational disability" means a physical or mental
 21 condition that the administrator determines presumably permanently prevents
 22 an employee from satisfactorily performing the employee's usual duties or the
 23 duties of another comparable position or job available to the employee and for
 24 which the employee is qualified by training or education; however, the proximate
 25 cause of the condition must be a bodily injury sustained, or a hazard undergone,
 26 while in the performance and within the scope of the employee's duties and not
 27 the proximate result of the wilful negligence of the employee [HAS THE
 28 MEANING GIVEN IN AS 39.35.680].

29 * **Sec. 97.** AS 39.35.890 is amended by adding a new subsection to read:

30 (m) While a survivor under (k) of this section is receiving a survivor's
 31 pension, the employer of the deceased employee shall make contributions with respect

1 to the survivor based on the deceased employee's gross monthly compensation at the
2 time of termination due to disability

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

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

7 * **Sec. 98.** AS 39.35 is amended by adding a new section to read:

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

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

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

25 (d) An increase in benefit payments under this section is effective July 1 of
26 each year and is based on the percentage increase in the Consumer Price Index for
27 urban wage earners and clerical workers for Anchorage, Alaska, during the previous
28 calendar year, as determined by the United States Department of Labor, Bureau of
29 Labor Statistics.

30 (e) Benefit adjustments under this section shall terminate the last day of the
31 month following the date on which a disabled member is no longer receiving a

1 disability benefit under AS 39.35.890, unless the member is a disabled peace officer or
2 fire fighter and has chosen a retirement benefit under AS 39.35.890(h)(2).

3 * **Sec. 99.** AS 39.35.892(b) is amended to read:

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

12 * **Sec. 100.** AS 39.35.892(c) is amended to read:

13 (c) The monthly survivor's pension in (b) of this section for survivors of
14 employees who were not peace officers or fire fighters is 40 percent of the employee's
15 monthly compensation in the month in which the employee dies. The monthly
16 survivor's pension in (b) of this section for survivors of employees who were peace
17 officers or fire fighters is 50 percent of the monthly compensation in the month in
18 which the employee dies. **While the monthly survivor's pension is being paid, the**
19 **survivor is not entitled to elect distributions from the employee's individual**
20 **contribution account under AS 39.35.810, except as required by AS 39.35.840.**

21 While the monthly survivor's pension is being paid, the employer shall make
22 contributions **with respect to** [ON BEHALF OF] the employee's **surviving spouse**
23 **and the employee's surviving dependent children** [BENEFICIARIES] based on the
24 deceased employee's gross monthly compensation at the time of occupational death

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

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

30 * **Sec. 101.** AS 39.35.892(e) is amended to read:

31 (e) On the date the **employee would have first qualified for** normal

1 retirement [OF THE EMPLOYEE WOULD HAVE OCCURRED] if the employee
 2 had **survived** [LIVED], the retirement benefit shall be determined under the
 3 provisions of AS 39.35.820 - 39.35.840, 39.35.870, and 39.35.880. **In addition to**
 4 **payment of the member's individual account, the surviving spouse or, if there is**
 5 **no surviving spouse, the surviving dependent children of the member, shall**
 6 **receive an additional benefit in an amount equal to the accumulated**
 7 **contributions that would have been made to the deceased member's individual**
 8 **account under AS 39.35.730(a) and 39.35.750(a), based on the deceased member's**
 9 **gross monthly compensation at the time of occupational death, from the time of**
 10 **the member's death to the date the member would have first qualified for normal**
 11 **retirement if the member had survived. Earnings shall be allocated to the**
 12 **additional benefit calculated under this subsection based on the actual rate of**
 13 **return, net of expenses, of the trust account established under AS 39.35.750(e)**
 14 **over the period that such contributions would have been made. This additional**
 15 **amount and allocated earnings shall be paid in the same manner as determined**
 16 **for the member's individual account under AS 39.35.820 - 39.35.860 to the extent**
 17 **permitted by the Internal Revenue Service.** An employee who died and whose
 18 survivors receive occupational death benefits under this section shall be considered to
 19 have retired directly from the plan on the date the [NORMAL RETIREMENT OF
 20 THE] employee would have **first qualified for normal retirement** [OCCURRED] if
 21 the employee had **survived. The period of time during which a survivor's pension**
 22 **is paid under this section constitutes membership service for the purpose of**
 23 **determining vesting in employer contributions under AS 39.35.790(b) and**
 24 **eligibility for medical benefits under AS 39.30.300 - 39.30.495 and AS 39.35.700**
 25 **39.35.990** [LIVED].

26 * **Sec. 102.** AS 39.35 is amended by adding new sections to read:

27 **Sec. 39.35.893. Survivor's pension adjustment.** (a) Once each year, the
 28 administrator shall increase payments to a person 60 years of age or older receiving a
 29 survivor's pension under AS 39.35.890(k) or 39.35.892(c) and to a person who has
 30 received a survivor's pension under AS 39.35.890(k) or 39.35.892(c) for at least five
 31 years, who is not otherwise eligible for an increase under this section.

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

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

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

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

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

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

29 * **Sec. 103.** AS 39.35.900 is amended by adding new subsections to read:

30 (d) The administrator shall use forfeitures in the fixed benefit account of the
 31 plan that arise for any reason, including from termination of employment or death, to

1 reduce employer contributions. Forfeitures may not be applied to increase the benefits
2 of any member.

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

6 * **Sec. 104.** AS 39.35.910 is amended to read:

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

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

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

21 * **Sec. 105.** AS 39.35.940(c) is amended to read:

22 (c) Each eligible member who elects to participate in the defined contribution
23 retirement plan shall have transferred to a new account the employee contribution
24 account balance held in trust for the member under the defined benefit retirement plan
25 of the public employees' retirement system. A matching employer contribution shall
26 be made on behalf of that employee to the new account. The employer shall make the
27 matching contribution from funds other than the trust funds of the defined benefit
28 retirement plan established under AS 39.35.095 - 39.35.680. The amount of the
29 matching employer contribution shall be subject to, and may not exceed, the
30 limitation of 26 U.S.C. 415(c) during the applicable limitation year as defined by
31 AS 39.35.990. If the matching employer contribution would exceed the limits

1 **during the limitation year in which the transfer occurs, the remaining amount of**
2 **the matching employer contribution shall be made in the next limitation year, if**
3 **the limits would not be exceeded.**

4 * **Sec. 106.** AS 39.35.940(d) is amended to read:

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

12 * **Sec. 107.** AS 39.35.940(h) is amended to read:

13 (h) **An employee who is eligible to elect transfer to the defined**
14 **contribution retirement plan must make the election not later than 12 months**
15 **after the first day of the month following the administrator's receipt of the**
16 **notification that the employee's employer consents to transfers of its employees**
17 **under (i) of this section.** The election to participate in the defined contribution
18 retirement plan must be made in writing on forms and in the manner prescribed by the
19 administrator. Before accepting an election to participate in the defined contribution
20 retirement plan, the administrator must provide the employee planning on making an
21 election to participate in the defined contribution retirement plan with information,
22 including calculations to illustrate the effect of moving the employee's retirement plan
23 from the defined benefit retirement plan to the defined contribution retirement plan as
24 well as other information to clearly inform the employee of the potential consequences
25 of the employee's election. An election made under this subsection to participate in the
26 defined contribution retirement plan is irrevocable. Upon making the election, the
27 participant shall be enrolled as a member of the defined contribution retirement plan,
28 the member's participation in the plan shall be governed by the provisions of
29 AS 39.35.700 - 39.35.990, and the member's participation in the defined benefit
30 retirement plan under AS 39.35.115 shall terminate. The participant's enrollment in the
31 defined contribution retirement plan shall be effective the first day of the month after

1 the administrator receives the completed enrollment forms. An election made by an
 2 eligible member who is married is not effective unless the election is signed by the
 3 individual's spouse.

4 * **Sec. 108.** AS 39.35 is amended by adding new sections to read:

5 **Sec. 39.35.957. Designation of eligible employees, agreement to contribute,**
 6 **and amendment of participation.** (a) A political subdivision or public organization
 7 participating in the defined contribution retirement plan under AS 39.35.700 -
 8 39.35.990 shall designate the departments, groups, or other classifications of
 9 employees eligible to participate in the plan and, by participating, shall legally be
 10 presumed to have agreed to make contributions each year in the amounts required for
 11 members of the plan under AS 39.35.750.

12 (b) If the employer does not participate in the defined benefit retirement plan
 13 under AS 39.35.095 - 39.35.680, an employee who is eligible under (a) of this section
 14 and who is a member of the defined benefit retirement plan under AS 39.35.095 -
 15 39.35.680 does not accrue credited service or make contributions under that defined
 16 benefit retirement plan, but shall be a member of the defined contribution retirement
 17 plan under AS 39.35.700 - 39.35.990 and make contributions under that plan.

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

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

28 (b) If contributions are not transmitted to the plan within the prescribed time
 29 limit, the administrator may grant an extension and shall assess interest on the
 30 outstanding contributions at the rate established under AS 39.35.610. If the political
 31 subdivision or public organization is in default at the end of the extension,

1 participation in the plan is terminated, and it shall be sent notice of termination.

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

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

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

27 (f) A political subdivision or public organization considering or requesting
28 termination from the plan shall pay the cost associated with obtaining a termination
29 cost study associated with the employer's termination.

30 * **Sec. 109.** AS 39.35 is amended by adding a new section to read:

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

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

4 * **Sec. 110.** AS 39.35.990(7) is amended to read

5 (7) "compensation"

6 (A) means

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

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

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

30 (C) notwithstanding (B) of this paragraph, includes any amount
 31 that is contributed by the employer under a salary reduction agreement and that

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

8 * **Sec. 111.** AS 39.35.990(16) is amended to read:

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

17 * **Sec. 112.** AS 39.35.990(20) is amended to read:

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

24 * **Sec. 113.** AS 39.45.020 is amended by adding a new subsection to read:

25 (d) The administrator of a deferred compensation program under this chapter
 26 has the powers and duties with regard to the program as set out in AS 14.25.003 and
 27 14.25.004, as though those provisions applied to the program.

28 * **Sec. 114.** AS 39.45 is amended by adding a new section to read:

29 **Sec. 39.45.055. Appeals.** A final decision made under AS 39.45.010 -
 30 39.45.060 is subject to appeal under AS 44.64.

31 * **Sec. 115.** AS 44.64.030(a) is amended by adding new paragraphs to read:

1 (35) AS 14.25.175 (waiver of adjustments under teachers' defined
2 benefit plan);

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

4 (37) AS 39.30.335 (teachers' and public employees' health
5 reimbursement arrangement plan);

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

8 (39) AS 39.45.055 (public employees' deferred compensation
9 program).

10 * **Sec. 116.** (a) AS 14.25.045, 14.25.340(b), 14.25.570; AS 39.35.050(a), 39.35.370(k),
11 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
12 repealed.

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

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

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

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

25 * **Sec. 118.** The uncodified law of the State of Alaska is amended by adding a new section
26 to read:

27 TRANSFER OF FUNDS TO ALASKA RETIREE HEALTH CARE TRUSTS. The
28 commissioner of administration shall transfer to the Alaska retiree health care trusts
29 established under AS 39.30.097, enacted by sec. 50 of this Act, all funds for payment of
30 retiree health benefits that have been deposited in the group health and life benefits fund
31 under AS 39.30.095, including funds in the retiree health insurance fund, and all funds from

1 any fund or account into which funds for provision of retiree health benefits have been
2 deposited. The commissioner of administration shall make the transfer on July 1, 2007, or
3 immediately after July 1, 2007 when the funds become available to the commissioner for
4 transfer.

5 * **Sec. 119.** Sections 5, 6, 17, 60, 68, 69, 81, and 116(b) of this Act take effect July 1, 2010.

6 * **Sec. 120.** Except as provided in sec. 119 of this Act, this Act takes effect immediately
7 under AS 01.10.070(c).