

**SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 236**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

**BY REPRESENTATIVES LYNN, Muñoz, Kerttula, Kawasaki, Miller, Tuck, Holmes, Guttenberg, Petersen, Gardner, Gruenberg, Foster, Gara, Herron, Edgmon**

**Introduced: 2/20/12**

**Referred: Labor and Commerce, Finance**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to new defined benefit tiers in the public employees' retirement system**  
2 **and the teachers' retirement system; providing certain employees an opportunity to**  
3 **choose between the defined benefit and defined contribution plans of the public**  
4 **employees' retirement system and the teachers' retirement system; and providing for an**  
5 **effective date."**

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

7 **\* Section 1.** AS 14.25.009 is repealed and reenacted to read:

8 **Sec. 14.25.009. Applicability of AS 14.25.009 - 14.25.220.** (a) The provisions  
9 of AS 14.25.009 - 14.25.220 apply to teachers who are eligible to be members of the  
10 teachers' retirement system under AS 14.25.009 - 14.25.220 and are not members of  
11 the defined contribution retirement plan under AS 14.25.310 - 14.25.590.

12 (b) An employer that participates in the plan shall also participate in the  
13 defined contribution retirement plan under AS 14.25.310 - 14.25.590.

1 \* **Sec. 2.** AS 14.25.040(a) is amended to read:

2 (a) Unless a teacher or member participates in a university retirement program  
3 under AS 14.40.661 - 14.40.799 or has elected under AS 14.25.330 or former  
4 AS 14.25.540 to participate in the plan established in AS 14.25.310 - 14.25.590, a  
5 teacher or member contracting for service with a participating employer is subject to  
6 AS 14.25.009 - 14.25.220.

7 \* **Sec. 3.** AS 14.25.050(a) is amended to read:

8 (a) Except as provided in (c) **and (e)** of this section, beginning January 1,  
9 1991, each member shall contribute to the plan an amount equal to 8.65 percent of the  
10 member's base salary accrued from July 1 to the following June 30. [THE  
11 EMPLOYER SHALL DEDUCT THE CONTRIBUTION FROM THE MEMBER'S  
12 SALARY AT THE END OF EACH PAYROLL PERIOD, AND THE  
13 CONTRIBUTION SHALL BE CREDITED BY THE PLAN TO THE MEMBER  
14 CONTRIBUTION ACCOUNT. THE CONTRIBUTIONS SHALL BE DEDUCTED  
15 FROM EMPLOYEE COMPENSATION BEFORE THE COMPUTATION OF  
16 APPLICABLE FEDERAL TAXES AND SHALL BE TREATED AS EMPLOYER  
17 CONTRIBUTIONS UNDER 26 U.S.C. 414(h)(2). A MEMBER MAY NOT HAVE  
18 THE OPTION OF MAKING THE PAYROLL DEDUCTION DIRECTLY IN CASH  
19 INSTEAD OF HAVING THE CONTRIBUTION PICKED UP BY THE  
20 EMPLOYER.]

21 \* **Sec. 4.** AS 14.25.050 is amended by adding new subsections to read:

22 (e) Except as provided in (a) and (c) of this section, a member who first  
23 participates in the plan after June 30, 2006, shall contribute to the plan an amount  
24 equal to eight percent of the employee's base salary accrued from July 1 to the  
25 following June 30.

26 (f) The employer shall deduct the contributions under (a) and (e) of this  
27 section from the member's salary at the end of each payroll period, and the  
28 contributions shall be credited by the plan to the member contribution account. The  
29 contributions shall be deducted from employee compensation before the computation  
30 of applicable federal taxes and shall be treated as employer contributions under 26  
31 U.S.C. 414(h)(2). A member may not have the option of making the payroll deduction

1 directly in cash instead of having the contribution picked up by the employer.

2 \* **Sec. 5.** AS 14.25.130(c) is amended to read:

3 (c) Once each year during the first five years following appointment to  
4 disability under this section, and once every three-year period thereafter, the  
5 administrator may require a disabled member who **first became a member before**  
6 **July 1, 2006, and who** has not attained eligibility for normal retirement to undergo a  
7 medical or mental examination by a competent physician. The administrator shall  
8 suspend any disability benefit for a disabled member who refuses to undergo a  
9 physical or mental examination when requested under this section.

10 \* **Sec. 6.** AS 14.25.130 is amended by adding new subsections to read:

11 (g) A person who first becomes a member after June 30, 2006, and who is  
12 receiving a benefit under this section shall undergo a medical examination as often as  
13 the administrator considers advisable, but not more frequently than once each year.  
14 The administrator shall determine the place of the examination and engage the  
15 physician or physicians. If, in the judgment of the administrator, the examination  
16 indicates that the disabled member is no longer incapacitated because of a total and  
17 apparently permanent occupational disability, the administrator may not issue further  
18 disability benefits to the member.

19 (h) A person who first becomes a member after June 30, 2006, and who is  
20 appointed to disability benefits shall apply to the division of vocational rehabilitation  
21 of the Department of Labor and Workforce Development within 30 days after the date  
22 disability benefits commence. The member shall be enrolled in a rehabilitation  
23 program if the member meets the eligibility requirements of the division of vocational  
24 rehabilitation. Unless the member demonstrates cause, benefits shall terminate at the  
25 end of the first month in which a disabled member

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

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

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

30 (4) fails to accept a position offered.

31 \* **Sec. 7.** AS 14.25.168(d) is amended to read:

1 (d) A benefit recipient, or the surviving spouse of a benefit recipient, who  
 2 first becomes a member before July 1, 2006, may elect major medical insurance  
 3 coverage in accordance with regulations and under the following conditions:

4 (1) a benefit recipient [PERSON] who has less than 25 years of  
 5 membership service and who is younger than 60 years of age must pay an amount  
 6 equal to the full monthly group premium for retiree major medical insurance coverage;

7 (2) a disabled member, a disabled member who is appointed to normal  
 8 retirement, a person 60 years of age or older, or a person who has at least 25 years of  
 9 membership service is not required to make premium payments.

10 \* **Sec. 8.** AS 14.25.168 is amended by adding new subsections to read:

11 (g) A benefit recipient, or the surviving spouse of a benefit recipient, who first  
 12 becomes a member after June 30, 2006, may elect major medical insurance coverage  
 13 in accordance with regulations and under the following conditions:

14 (1) if the participating member or surviving spouse is not eligible for  
 15 Medicare, the cost of a monthly premium for retiree major medical insurance coverage  
 16 elected under this section is equal to the full monthly group premium for retiree major  
 17 medical insurance coverage;

18 (2) if the participating member or surviving spouse is eligible for  
 19 Medicare, the cost of a monthly premium for retiree major medical insurance coverage  
 20 is a percentage of the full monthly group premium, as follows:

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

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

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

27 (3) the cost of a monthly premium paid by the member or the  
 28 member's surviving spouse for retiree major medical insurance coverage is

29 (A) 15 percent of the full monthly group premium if the  
 30 participating member has 25 or more, but less than 30, years of service;

31 (B) 10 percent of the full monthly group premium if the

1 participating member has 30 or more years of service;

2 (4) a disabled member or a disabled member who is appointed to  
3 normal retirement is not required to make premium payments.

4 (h) On or after July 1, 2018, and every five years thereafter, the administrator  
5 shall adjust the percentages under (g)(2) and (3) of this section as needed to maintain,  
6 but not to exceed, over the succeeding five years, an employer normal cost rate for the  
7 members and survivors who first became members after June 30, 2006, that does not  
8 exceed the combined total of the rates under AS 14.25.350(a), (b), (d), and (e) minus  
9 the employer normal cost rate attributable to the members who first became members  
10 after June 30, 2006, for benefits under AS 14.25.009 - 14.25.167. An adjustment made  
11 under this subsection shall remain in effect for five years. In making an adjustment  
12 under this subsection, the administrator shall maintain the five percent differences  
13 between (g)(2)(A), (B), and (C) of this section and the five percent differences  
14 between (g)(3)(A) and (B) of this section.

15 (i) When a member is appointed to retirement, the member obtains a vested  
16 right to the applicable percentage under (g)(2) or (3) of this section, as adjusted under  
17 (h) of this section, that is in effect when the member is appointed to retirement. A  
18 member does not obtain a vested right to a percentage under (g)(2) or (3) of this  
19 section, as adjusted under (h) of this section, before the member is appointed to  
20 retirement.

21 \* **Sec. 9.** AS 14.25.310 is amended to read:

22 **Sec. 14.25.310. Applicability of AS 14.25.310 - 14.25.590.** The provisions of  
23 AS 14.25.310 - 14.25.590 apply only to

24 **(1) teachers who first become members on or after July 1, 2006, and**  
25 **before the effective date of this section who do not transfer to a defined benefit**  
26 **retirement plan under AS 14.25.009 - 14.25.220 or AS 39.35.095 - 39.35.680;**

27 **(2) teachers described in AS 14.25.330 who elect under that section**  
28 **to become** [TO MEMBERS WHO ARE EMPLOYED BY EMPLOYERS THAT DO  
29 NOT PARTICIPATE IN THE DEFINED BENEFIT RETIREMENT PLAN  
30 ESTABLISHED UNDER AS 14.25.009 - 14.25.220, TO FORMER MEMBERS  
31 UNDER AS 14.25.220, OR TO] members; **and**

1                    **(3) teachers** who **transferred** [TRANSFER] into the defined  
2 contribution retirement plan under **former** AS 14.25.540.

3 \* **Sec. 10.** AS 14.25.310 is amended by adding a new subsection to read:

4                    (b) An employer that participates in the plan shall also participate in the  
5 defined benefit retirement plan under AS 14.25.009 - 14.25.220.

6 \* **Sec. 11.** AS 14.25.330 is repealed and reenacted to read:

7                    **Sec. 14.25.330. Retirement plan election option.** (a) A teacher who is first  
8 hired on or after the effective date of this section may make a one-time election to  
9 participate in the defined contribution retirement plan under AS 14.25.310 - 14.25.590  
10 retroactive to the date of hire and may transfer to that plan employee contributions, if  
11 any, and employer contributions, if any, that have been made to the defined benefit  
12 retirement plan under AS 14.25.009 - 14.25.220. Before employer contributions are  
13 transferred under this subsection, the administrator shall recalculate them under  
14 AS 14.25.070.

15                    (b) The election to participate in the defined contribution retirement plan  
16 under (a) of this section must be made within 90 days after the date of hire, and be  
17 made in writing on a form and in the manner prescribed by the administrator. Before  
18 accepting an election to participate in the defined contribution retirement plan, the  
19 administrator shall, within 20 days after the administrator receives notification of the  
20 teacher's date of hire, provide the teacher eligible to make an election to participate in  
21 the defined contribution retirement plan under AS 14.25.310 - 14.25.590 with

22                    (1) information, including calculations to illustrate the effect of  
23 moving the teacher's retirement plan from the defined benefit retirement plan to the  
24 defined contribution retirement plan; and

25                    (2) other information clearly to inform the teacher of the potential  
26 consequences of the teacher's election.

27                    (c) An election made under (a) of this section to participate in the defined  
28 contribution retirement plan is irrevocable. Retroactive to the date of hire, the teacher  
29 shall be enrolled as a member of the defined contribution retirement plan under  
30 AS 14.25.310 - 14.25.590, the member's participation in the plan shall be governed by  
31 the provisions for the defined contribution retirement plan, and the member's

1 participation in the defined benefit retirement plan under AS 14.25.009 - 14.25.220  
 2 shall terminate. An election made by an eligible member who is married is not  
 3 effective unless the election is signed by the member's spouse.

4 (d) When a member makes an election under (a) of this section, the  
 5 administrator shall cause the total amount of the member's employee and employer  
 6 contributions, with investment earnings and losses through the final day of the  
 7 member's participation in the defined benefit retirement plan, to be actuarially  
 8 calculated and transferred to the member's designated account in the defined  
 9 contribution retirement plan. The administrator shall establish transfer procedures by  
 10 regulation, but the actual transfer may not be later than 30 days after the date the  
 11 administrator receives the member's election form under (b) of this section, unless the  
 12 major financial markets for securities available for a transfer are seriously disrupted by  
 13 an unforeseen event that also causes the suspension of trading on any national  
 14 securities exchange in the country where the securities were issued. In that event, the  
 15 30-day period of time may be extended by a resolution of the board. Transfers are not  
 16 commissionable or subject to other fees and may be in the form of securities or cash as  
 17 determined by the board. Securities shall be valued on the date of receipt in the  
 18 member's account.

19 (e) An election made by an eligible member who is married is not effective  
 20 unless the election is signed by the individual's spouse. An eligible member whose  
 21 accounts are subject to a qualified domestic relations order may not make an election  
 22 to participate in the defined contribution retirement plan under this section unless the  
 23 qualified domestic relations order is amended or vacated and court-certified copies of  
 24 the order are received by the administrator.

25 \* **Sec. 12.** AS 39.35.095 is repealed and reenacted to read:

26 **Sec. 39.35.095. Applicability of AS 39.35.095 - 39.35.680.** (a) The provisions  
 27 of AS 39.35.095 - 39.35.680 apply to public employees who are eligible to be  
 28 members of the public employees' retirement system under AS 39.35.095 - 39.35.680  
 29 and are not members of the defined contribution retirement plan under AS 39.35.700 -  
 30 39.35.990.

31 (b) A public organization or a municipality or other political subdivision of the

1 state that participates in the plan shall also participate in the defined contribution  
2 retirement plan under AS 39.35.700 - 39.35.900.

3 \* **Sec. 13.** AS 39.35 is amended by adding a new section to read:

4 **Sec. 39.35.128. Participation of elected officials of political subdivisions.** (a)

5 A person who is an elected official of a political subdivision of the state and who has  
6 not participated in the plan or waived participation in the plan before July 1, 2013, is a  
7 member of the plan if

8 (1) the political subdivision has elected under AS 39.35.600 -  
9 39.35.650 to designate elected officials in the classifications of employees entitled to  
10 participate in the plan; and

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

13 (b) An elected official entitled to participate under this section, and who either  
14 has no previous service under the system with the political subdivision or is retired  
15 under the system, may file a waiver of participation in the plan with the administrator  
16 within 30 days after the later of July 1, 2013, or the date that the elected official's term  
17 of office begins. A waiver is irrevocable for the remainder of the elected official's  
18 service as an elected official or employee of the political subdivision.

19 \* **Sec. 14.** AS 39.35.160(a) is amended to read:

20 (a) **Subject to (e) of this section, beginning** [BEGINNING] January 1, 1987,  
21 each peace officer or firefighter shall contribute to the plan an amount equal to seven  
22 and one-half percent of the peace officer's or firefighter's compensation. Except as  
23 provided in **(d) and (e)** [(d)] of this section, beginning January 1, 1987, each other  
24 employee shall contribute to the plan an amount equal to six and three-quarters percent  
25 of the employee's compensation. [THE CONTRIBUTIONS SHALL BE DEDUCTED  
26 BY THE EMPLOYER AT THE END OF EACH PAYROLL PERIOD. THE  
27 CONTRIBUTIONS SHALL BE DEDUCTED FROM EMPLOYEE  
28 COMPENSATION BEFORE COMPUTATION OF APPLICABLE FEDERAL  
29 TAXES, AND THE CONTRIBUTIONS SHALL BE TREATED AS EMPLOYER  
30 CONTRIBUTIONS UNDER 26 U.S.C. 414(h)(2). A MEMBER MAY NOT HAVE  
31 THE OPTION OF MAKING THE PAYROLL DEDUCTION DIRECTLY INSTEAD

1 OF HAVING THE CONTRIBUTION PICKED UP BY THE EMPLOYER.]

2 \* **Sec. 15.** AS 39.35.160 is amended by adding new subsections to read:

3 (e) Except as provided in (a) and (d) of this section, an employee, including a  
4 peace officer or firefighter, who first participates in the plan after June 30, 2006, shall  
5 contribute to the plan an amount equal to eight percent of the employee's  
6 compensation.

7 (f) Contributions under (a) and (e) of this section shall be deducted by the  
8 employer at the end of each payroll period. The contributions shall be deducted from  
9 employee compensation before computation of applicable federal taxes, and the  
10 contributions shall be treated as employer contributions under 26 U.S.C. 414(h)(2). A  
11 member may not have the option of making the payroll deduction directly instead of  
12 having the contribution picked up by the employer.

13 \* **Sec. 16.** AS 39.35.410(g) is amended to read:

14 (g) A disabled employee **who first became a member before July 1, 2006,**  
15 **and who is** receiving an occupational disability benefit shall undergo a medical  
16 examination as often as the administrator considers advisable but not more frequently  
17 than once each year. The administrator shall determine the place of the examination  
18 and engage the physician or physicians. If, in the judgment of the administrator, the  
19 examination indicates that the retired employee is no longer incapacitated because of a  
20 total and apparently permanent occupational disability, the administrator may not issue  
21 further disability benefits to the employee.

22 \* **Sec. 17.** AS 39.35.410 is amended by adding a new subsection to read:

23 (k) A person who first becomes a member after June 30, 2006, and who is  
24 appointed to disability benefits shall apply to the division of vocational rehabilitation  
25 within 30 days after the date disability benefits commence. The employee shall be  
26 enrolled in a rehabilitation program if the employee meets the eligibility requirements  
27 of the division of vocational rehabilitation. Unless the employee demonstrates cause,  
28 benefits shall terminate at the end of the first month in which a disabled employee

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

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

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

2 (4) fails to accept a position offered.

3 \* **Sec. 18.** AS 39.35.535(c) is amended to read:

4 (c) A benefit recipient may elect major medical insurance coverage in  
5 accordance with regulations and under the following conditions:

6 (1) a person, **or the surviving spouse of a person, who becomes a**  
7 **member before July 1, 2006**, other than a disabled member or a disabled member  
8 who is appointed to normal retirement, must pay an amount equal to the full monthly  
9 group premium for retiree major medical insurance coverage if the person is

10 (A) younger than 60 years of age and has less than

11 (i) 25 years of credited service as a peace officer under

12 AS 39.35.360 and 39.35.370; or

13 (ii) 30 years of credited service under AS 39.35.360 and

14 39.35.370 that is not service as a peace officer; or

15 (B) of any age and has less than 10 years of credited service;

16 (2) a person, **or the surviving spouse of a person, who becomes a**  
17 **member before July 1, 2006**, is not required to make premium payments for retiree  
18 major medical coverage if the person

19 (A) is a disabled member;

20 (B) is a disabled member who is appointed to normal  
21 retirement;

22 (C) is 60 years of age or older and has at least 10 years of  
23 credited service; or

24 (D) has at least

25 (i) 25 years of credited service as a peace officer under  
26 AS 39.35.360 and 39.35.370; or

27 (ii) 30 years of credited service under AS 39.35.360 and  
28 39.35.370 not as a peace officer;

29 **(3) a benefit recipient who first becomes a member after June 30,**  
30 **2006, or a benefit recipient who is the surviving spouse of a person who first**  
31 **becomes a member after June 30, 2006, except as provided in (4) and (5) of this**

1 subsection, shall pay an amount equal to the full monthly group premium for  
 2 retiree major medical insurance coverage; however, except as provided in (4) and  
 3 (5) of this subsection, if the benefit recipient is eligible for Medicare, the cost of a  
 4 monthly premium is a percentage of the full monthly group premium, as follows:

5 (A) 30 percent if the member has 10 or more, but less than  
 6 15, years of service;

7 (B) 25 percent if the member has 15 or more, but less than  
 8 20, years of service;

9 (C) 20 percent if the member has 20 or more, but less than  
 10 25, years of service;

11 (D) 15 percent if the member has 25 or more, but less than  
 12 30, years of service not as a peace officer;

13 (4) except as provided in (5) of this subsection, a benefit recipient  
 14 who first becomes a member after June 30, 2006, or a benefit recipient who is the  
 15 surviving spouse of a person who first becomes a member after June 30, 2006,  
 16 shall pay a monthly premium that is

17 (A) 15 percent of the cost of a full monthly group premium  
 18 if the member has 25 or more, but less than 30, years of service as a peace  
 19 officer; or

20 (B) 10 percent of the cost of a full monthly group premium  
 21 if the member has 30 or more years of service;

22 (5) a benefit recipient who first becomes a member after June 30,  
 23 2006, is not required to make premium payments for retiree major medical  
 24 coverage if the recipient

25 (A) is a disabled member; or

26 (B) is a disabled member who is appointed to normal  
 27 retirement;

28 (6) on or after July 1, 2018, and every five years thereafter, the  
 29 administrator shall adjust the percentages under (3) and (4) of this subsection as  
 30 needed to maintain, but not to exceed, over the succeeding five years, an  
 31 employer normal cost rate for the members and survivors who first became

1 members after June 30, 2006, that does not exceed the combined total of the rates  
 2 under AS 39.35.750(a), (b), (d), and (e) minus the employer normal cost rate  
 3 attributable to the members who first became members after June 30, 2006, for  
 4 benefits under AS 39.35.095 - 39.35.530; an adjustment made under this  
 5 paragraph shall remain in effect for five years; in making an adjustment under  
 6 this paragraph, the administrator shall maintain the five percent differences  
 7 between (3)(A), (B), (C), and (D) of this subsection and the five percent  
 8 differences between (4)(A) and (B) of this subsection;

9 (7) when a member is appointed to retirement, the member  
 10 obtains a vested right to the applicable percentage under (3) or (4) of this  
 11 subsection, as adjusted under (6) of this subsection, that is in effect when the  
 12 member is appointed to retirement; a member does not obtain a vested right to a  
 13 percentage under (3) or (4) of this subsection, as adjusted under (6) of this  
 14 subsection, before appointment to retirement.

15 \* **Sec. 19.** AS 39.35.620(k) is amended to read:

16 (k) Termination of an employer's participation in the plan does not bar future  
 17 participation in the system by that employer if the employer is current with payments  
 18 on amounts due under AS 39.35.625. [IF A PREVIOUSLY TERMINATED  
 19 EMPLOYER RETURNS TO THE SYSTEM, THE EMPLOYER MAY ONLY  
 20 PARTICIPATE IN THE PLAN ESTABLISHED UNDER AS 39.35.700 - 39.35.990.  
 21 EMPLOYEES MAY BE CREDITED UNDER AS 39.35.700 - 39.35.990 ONLY  
 22 WITH SERVICE SUBSEQUENT TO THE DATE OF RETURN.]

23 \* **Sec. 20.** AS 39.35.680(18) is amended to read:

24 (18) "employer" means

25 (A) the State of Alaska;

26 (B) a political subdivision or public organization of the state  
 27 that participates in the plan based on a resolution to participate in the plan that  
 28 was approved by the administrator [ON OR BEFORE JULY 1, 2006]; or

29 (C) a political subdivision or public organization of the state  
 30 that, as a result of consolidation or reorganization [THAT OCCURS ON OR  
 31 AFTER JULY 1, 2006], assumes liability under the plan of a political

subdivision or public organization described in (B) of this paragraph;

\* **Sec. 21.** AS 39.35.700 is amended to read:

**Sec. 39.35.700. Applicability of AS 39.35.700 - 39.35.990.** The provisions of AS 39.35.700 - 39.35.990 apply only to

(1) members first hired on or after July 1, 2006, **and before the effective date of this section who do not transfer to a defined benefit retirement plan under AS 14.25.009 - 14.25.220 or AS 39.35.095 - 39.35.680;**

(2) public employees described in AS 39.35.720 who elect under that section to become [TO MEMBERS WHO ARE EMPLOYED BY EMPLOYERS THAT DO NOT PARTICIPATE IN THE DEFINED BENEFIT RETIREMENT PLAN ESTABLISHED UNDER AS 39.35.095 - 39.35.680, TO FORMER MEMBERS AS DEFINED IN AS 39.35.680, OR TO] members; **and**

(3) members who **transferred** [TRANSFER] into the defined contribution retirement plan under **former** AS 39.35.940.

\* **Sec. 22.** AS 39.35.700 is amended by adding a new subsection to read:

(b) A public organization under AS 39.35.680 or a municipality or other political subdivision of the state that participates in the plan shall also participate in the defined benefit retirement plan under AS 39.35.095 - 39.35.680.

\* **Sec. 23.** AS 39.35.720 is repealed and reenacted to read:

**Sec. 39.35.720. Retirement plan election option.** (a) A public employee who is first hired on or after the effective date of this section may make a one-time election to participate in the defined contribution retirement plan under AS 39.35.700 - 39.35.990 retroactive to the date of hire and may transfer to that plan employee contributions, if any, and employer contributions, if any, that have been made to the defined benefit retirement plan under AS 39.35.095 - 39.35.680. Before employer contributions are transferred under this subsection, the administrator shall recalculate them under AS 39.35.255.

(b) The election to participate in the defined contribution retirement plan under (a) of this section must be made within 90 days after the date of hire, and be made in writing on a form and in the manner prescribed by the administrator. Before accepting an election to participate in the defined contribution retirement plan under

1 AS 39.35.700 - 39.35.990, the administrator shall, within 20 days after the  
2 administrator receives notice of the public employee's date of hire, provide the  
3 employee eligible to make an election to participate in the defined contribution  
4 retirement plan with

5 (1) information, including calculations to illustrate the effect of  
6 moving the employee's retirement plan from the defined benefit retirement plan to the  
7 defined contribution retirement plan; and

8 (2) other information to clearly inform the employee of the potential  
9 consequences of the employee's election.

10 (c) An election made under (a) of this section to participate in the defined  
11 contribution retirement plan is irrevocable. Retroactive to the date of hire, the  
12 employee shall be enrolled as a member of the defined contribution retirement plan  
13 under AS 39.35.700 - 39.35.990, the member's participation in the plan shall be  
14 governed by the provisions for the defined contribution retirement plan, and the  
15 member's participation in the defined benefit retirement plan under AS 39.35.095 -  
16 39.35.680 shall terminate. An election made by an eligible member who is married is  
17 not effective unless the election is signed by the member's spouse.

18 (d) When a member makes an election under (a) of this section, the  
19 administrator shall cause the total amount of the member's employee and employer  
20 contributions, with investment earnings and losses through the final day of the  
21 member's participation in the defined benefit retirement plan, to be actuarially  
22 calculated and transferred to the member's designated account in the defined  
23 contribution retirement plan. The administrator shall establish transfer procedures by  
24 regulation, but the actual transfer may not be later than 30 days after the date the  
25 administrator receives the member's completed election form under (b) of this section,  
26 unless the major financial markets for securities available for a transfer are seriously  
27 disrupted by an unforeseen event that also causes the suspension of trading on any  
28 national securities exchange in the country where the securities were issued. In that  
29 event, the 30-day period of time may be extended by a resolution of the board.  
30 Transfers are not commissionable or subject to other fees and may be in the form of  
31 securities or cash as determined by the board. Securities shall be valued on the date of

1 receipt in the member's account.

2 (e) An election made by an eligible member who is married is not effective  
3 unless the election is signed by the individual's spouse. An eligible member whose  
4 accounts are subject to a qualified domestic relations order may not make an election  
5 to participate in the defined contribution retirement plan under this section unless the  
6 qualified domestic relations order is amended or vacated and court-certified copies of  
7 the order are received by the administrator.

8 \* **Sec. 24.** AS 14.25.012(c), 14.25.540; AS 39.35.940, and 39.35.957(b) are repealed.

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

11 **RETIREMENT PLAN ELECTION CHOICE.** (a) A teacher who was first hired after  
12 June 30, 2006, and before the effective date of this section and who is a member of the  
13 defined contribution plan of the teachers' retirement system under AS 14.25.310 - 14.25.590  
14 may make a one-time election, within 90 days after the effective date of this section, to  
15 participate in the defined benefit retirement plan under AS 14.25.009 - 14.25.220 and to  
16 transfer all contributions, including employer contributions, that have been made or should be  
17 made to the defined contribution retirement plan for service the member completes before the  
18 effective date of the member's participation in the defined benefit retirement plan.

19 (b) A public employee who was first hired after June 30, 2006, and before the  
20 effective date of this section and who is a member of the defined contribution plan of the  
21 public employees' retirement system under AS 39.35.700 - 39.35.990 may make a one-time  
22 election, within 90 days after the effective date of this section, to participate in the defined  
23 benefit retirement plan under AS 39.35.095 - 39.35.680 and to transfer all contributions,  
24 including employer contributions, that have been made or should be made to the defined  
25 contribution retirement plan for any service the member completes before the effective date of  
26 the member's participation in the defined benefit retirement plan.

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

29 **RETIREMENT PLAN ELECTION PROCEDURE; REGULATIONS REQUIRED.**

30 (a) The election to participate in the defined benefit retirement plan under sec. 25 of this Act  
31 must be made in writing on forms and in the manner prescribed by the administrator. Before

1 accepting an election to participate in the defined benefit retirement plan, the administrator  
2 shall provide the employee planning on making an election to participate in the defined  
3 benefit retirement plan with information, including calculations to illustrate the effect of  
4 moving the employee's retirement plan from the defined contribution retirement plan to the  
5 defined benefit retirement plan as well as other information clearly to inform the employee of  
6 the potential consequences of the employee's election.

7 (b) An election made under sec. 25 of this Act to participate in the defined benefit  
8 retirement plan is irrevocable. On the effective date of the election, the participant shall be  
9 enrolled as a member of the defined benefit retirement plan, the member's participation in the  
10 plan shall be governed by the provisions for the defined benefit retirement plan, and the  
11 member's participation in the defined contribution retirement plan shall terminate. The  
12 participant's enrollment in the defined benefit retirement plan shall be effective retroactive to  
13 the date of hire. An election made by an eligible member who is married is not effective  
14 unless the election is signed by the individual's spouse.

15 (c) When a member makes a one-time election under sec. 25 of this Act, the  
16 administrator shall cause the total amount of the member's employee and employer  
17 contributions, with investment earnings and losses through the final day of the member's  
18 participation in the defined contribution retirement plan, to be actuarially calculated and,  
19 subject to (d) of this section, transferred to the pension fund in the defined benefit retirement  
20 plan. On the effective date of the member's participation in the defined benefit retirement  
21 plan, the member shall be credited with service in the defined benefit retirement plan that is  
22 equal to the member's service in years, including fractional years, recognized for computing  
23 benefits that may be due from the defined contribution retirement plan. The board shall  
24 establish transfer procedures by regulation, but the actual transfer may not be later than 30  
25 days after the date the administrator receives the member's completed election forms under (a)  
26 of this section, unless the major financial markets for securities available for a transfer are  
27 seriously disrupted by an unforeseen event that also causes the suspension of trading on any  
28 national securities exchange in the country where the securities were issued. In that event, the  
29 30-day period of time may be extended by a resolution of the board. Transfers are not  
30 commissionable or subject to other fees and may be in the form of securities or cash as  
31 determined by the board. Securities shall be valued on the date of receipt in the participant's

1 account.

2 (d) If the value actuarially calculated under (c) of this section is insufficient to pay for  
 3 a service credit equal to the participant's actual service, the administrator shall allow the  
 4 participant to create an indebtedness up to the amount needed to eliminate the insufficiency;  
 5 however, if that value exceeds the amount needed to pay for a service credit equal to the  
 6 participant's actual service, the administrator shall cause the excess to be paid to the  
 7 participant as a rollover transfer to either an individual employee annuity account in the  
 8 Department of Administration under the terms of AS 39.30.150 - 39.30.180 (Alaska  
 9 Supplemental Annuity Plan) or, if the participant's employer does not participate in the Alaska  
 10 Supplemental Annuity Plan, to an eligible retirement plan under AS 14.25.360(d) or  
 11 AS 39.35.760(d). An excess under this subsection may not be used to purchase service credit  
 12 in a retirement plan administered under AS 14.25 or AS 39.25.

13 (e) The provisions of this section are subject to the requirements of the Internal  
 14 Revenue Code and the limitations under AS 14.25.010, 14.25.320(c) and (d), 14.25.490,  
 15 AS 39.35.115, 39.35.678, 39.35.710(c) and (d), and 39.35.895.

16 (f) In this section,

17 (1) "administrator" means the commissioner of administration or the person  
 18 designated by the commissioner of administration under AS 39.35.003 for a public  
 19 employees' retirement plan and under AS 14.25.003 for a teachers' retirement plan;

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

22 (3) "defined benefit retirement plan" means the retirement plan established  
 23 under

24 (A) AS 14.25.009 - 14.25.220 for a teacher; or

25 (B) AS 39.35.095 - 39.35.680 for a public employee;

26 (4) "defined contribution retirement plan" means the retirement plan  
 27 established under

28 (A) AS 14.25.310 - 14.25.590 for a teacher; or

29 (B) AS 39.35.700 - 39.35.990 for a public employee;

30 (5) "Internal Revenue Code" the meaning given in AS 39.35.990.

31 \* **Sec. 27.** The uncodified law of the State of Alaska is amended by adding a new section to

1 read:

2 ADOPTION OF REGULATIONS. The commissioner of administration shall adopt  
3 regulations necessary to implement the changes made by this Act. The regulations take effect  
4 under AS 44.62 (Administrative Procedure Act), but not before the effective date of the law  
5 implemented by the regulation.

6 \* **Sec. 28.** Sections 26 and 27 of this Act take effect immediately under AS 01.10.070(c).

7 \* **Sec. 29.** Except as provided in sec. 28 of this Act, this Act takes effect July 1, 2013.