

**SENATE BILL NO. 11**

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-THIRD LEGISLATURE - FIRST SESSION

**BY SENATOR KIEHL**

**Introduced: 1/18/23**

**Referred: Labor & Commerce, Finance**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to restoration of tenure for certain disabled individuals; relating to the**  
2 **Public Employees' Retirement System of Alaska and the teachers' retirement system;**  
3 **providing certain employees an opportunity to choose between the defined benefit and**  
4 **defined contribution plans of the Public Employees' Retirement System of Alaska and**  
5 **the teachers' retirement system; and providing for an effective date."**

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

7 **\* Section 1.** AS 14.20.165 is amended to read:

8 **Sec. 14.20.165. Restoration of tenure rights.** A teacher who held tenure  
9 rights and who was retired due to disability under AS 14.25.130, but whose disability  
10 (1) has been removed, and the removal of that disability is certified by a competent  
11 physician following a physical or mental examination, or (2) has been compensated  
12 for by rehabilitation or other appropriate restorative education or training, and that  
13 rehabilitation or restoration to health has been certified by the commissioner of

1        **administration** [DIVISION OF VOCATIONAL REHABILITATION OF THE  
 2        DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT], shall be  
 3        restored to full tenure rights in the district from which the teacher was retired, at such  
 4        time as an opening for which the teacher is qualified becomes available.

5        \* **Sec. 2.** AS 14.25.009 is repealed and reenacted to read:

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

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

12        \* **Sec. 3.** AS 14.25.040(a) is amended to read:

13               (a) Unless a teacher or member participates in a university retirement program  
 14        under AS 14.40.661 - 14.40.799 or has elected under **AS 14.25.330 or former**  
 15        AS 14.25.540 to participate in the plan established in AS 14.25.310 - 14.25.590, a  
 16        teacher or member contracting for service with a participating employer is subject to  
 17        AS 14.25.009 - 14.25.220.

18        \* **Sec. 4.** AS 14.25.050(a) is amended to read:

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

1 \* **Sec. 5.** AS 14.25.050 is amended by adding new subsections to read:

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

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

12 \* **Sec. 6.** AS 14.25.130(c) is repealed and reenacted to read:

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

20 \* **Sec. 7.** AS 14.25.130 is amended by adding a new subsection to read:

21 (g) A person who first becomes a member after June 30, 2006, and who is  
22 appointed to disability benefits shall, within 30 days after the date disability benefits  
23 begin, provide the administrator with proof that the member has applied for enrollment  
24 in a vocational rehabilitation program approved by the administrator. Unless the  
25 member demonstrates cause, the benefits terminate at the end of the first month in  
26 which the member

27 (1) fails to provide the administrator with the required proof of  
28 application for enrollment;

29 (2) is certified by the administrator as failing to enroll in or cooperate  
30 with a vocational rehabilitation program approved under this subsection;

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

1 (4) fails to accept a job offered.

2 \* **Sec. 8.** AS 14.25.168(d) is amended to read:

3 (d) A benefit recipient **who first became a member before July 1, 2006, or**  
 4 **the benefit recipient's surviving spouse** may elect major medical insurance coverage  
 5 in accordance with regulations and under the following conditions:

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

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

12 \* **Sec. 9.** AS 14.25.168 is amended by adding new subsections to read:

13 (g) A benefit recipient, or the surviving spouse of a benefit recipient, who first  
 14 becomes a member after June 30, 2006, may elect major medical insurance coverage  
 15 that was in effect before July 1, 2006, in accordance with this section and applicable  
 16 regulations and under the following conditions:

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

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

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

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

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

30 (3) the cost of a monthly premium paid by the participating member or  
 31 the surviving spouse for retiree major medical insurance coverage is

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

3 (B) 10 percent of the full monthly group premium if the  
4 participating member has 30 or more years of service;

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

7 (h) On or after July 1, 2028, and every five years thereafter, the administrator  
8 shall adjust the percentages under (g)(2) and (3) of this section as needed to maintain,  
9 but not to exceed, over the succeeding five years, an employer normal cost rate for  
10 persons who first became participating members after June 30, 2006, and the surviving  
11 spouses of those persons that does not exceed the combined total of the rates under  
12 AS 14.25.350(a), (b), (d), and (e) minus the employer normal cost rate attributable to  
13 persons who first became participating members after June 30, 2006, for benefits  
14 under AS 14.25.009 - 14.25.167. An adjustment made under this subsection shall  
15 remain in effect for five years. In making an adjustment under this subsection, the  
16 administrator shall maintain the five percent differences between the percentages in  
17 (g)(2)(A), (B), and (C) of this section and the five percent differences between the  
18 percentages in (g)(3)(A) and (B) of this section.

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

25 \* **Sec. 10.** AS 14.25.310 is amended to read:

26 **Sec. 14.25.310. Applicability of AS 14.25.310 - 14.25.590.** The provisions of  
27 AS 14.25.310 - 14.25.590 apply only to

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

31 **(2) teachers described in AS 14.25.330 who elect under that section**

1 **to become** [TO MEMBERS WHO ARE EMPLOYED BY EMPLOYERS THAT DO  
 2 NOT PARTICIPATE IN THE DEFINED BENEFIT RETIREMENT PLAN  
 3 ESTABLISHED UNDER AS 14.25.009 - 14.25.220, TO FORMER MEMBERS  
 4 UNDER AS 14.25.220, OR TO] members; **and**

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

7 \* **Sec. 11.** AS 14.25.310 is amended by adding a new subsection to read:

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

10 \* **Sec. 12.** AS 14.25.330 is repealed and reenacted to read:

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

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

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

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

31 (c) An election made under (a) of this section to participate in the defined

1 contribution retirement plan is irrevocable. Retroactive to the date of hire, the teacher  
 2 shall be enrolled in the defined contribution retirement plan under AS 14.25.310 -  
 3 14.25.590, the teacher's participation in the plan shall be governed by the provisions  
 4 for the defined contribution retirement plan, and the teacher's participation in the  
 5 defined benefit retirement plan under AS 14.25.009 - 14.25.220 shall terminate.

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

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

27 \* **Sec. 13.** AS 14.25.485(h) is repealed and reenacted to read:

28 (h) A member who is appointed to disability benefits shall, within 30 days  
 29 after the date disability benefits begin, provide the administrator with proof that the  
 30 member has applied for enrollment in a vocational rehabilitation program approved by  
 31 the administrator. Unless the member demonstrates cause, the benefits terminate at the

1 end of the first month in which the member

2 (1) fails to provide the administrator with the required proof of  
3 application for enrollment;

4 (2) is certified by the administrator as failing to enroll in or cooperate  
5 with a vocational rehabilitation program approved under this subsection;

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

7 (4) fails to accept a job offered.

8 \* **Sec. 14.** AS 39.35.095 is repealed and reenacted to read:

9 **Sec. 39.35.095. Applicability of AS 39.35.095 - 39.35.680.** (a) The provisions  
10 of AS 39.35.095 - 39.35.680 apply to public employees who are eligible to be  
11 members of the public employees' retirement system under AS 39.35.095 - 39.35.680  
12 and are not members of the defined contribution retirement plan under AS 39.35.700 -  
13 39.35.990.

14 (b) A public organization or a municipality or other political subdivision of the  
15 state that participates in the plan shall also participate in the defined contribution  
16 retirement plan under AS 39.35.700 - 39.35.990.

17 \* **Sec. 15.** AS 39.35 is amended by adding a new section to read:

18 **Sec. 39.35.128. Participation of elected officials of political subdivisions.** (a)  
19 Except as provided in (b) of this section, a person who is an elected official of a  
20 political subdivision of the state and who, before July 1, 2023, has neither participated  
21 in the plan nor waived participation in the plan becomes a member of the plan if

22 (1) the political subdivision has elected under AS 39.35.600 -  
23 39.35.650 to designate elected officials in the classifications of employees entitled to  
24 participate in the plan; and

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

27 (b) An elected official entitled to participate under this section, and who either  
28 has no previous service under the system with the political subdivision or is retired  
29 under the system, may file a waiver of participation in the plan with the administrator  
30 within 30 days after the later of July 1, 2023, or the date that the elected official's term  
31 of office begins. A waiver is irrevocable for the remainder of the elected official's

1 service as an elected official or employee of the political subdivision.

2 \* **Sec. 16.** AS 39.35.160(a) is amended to read:

3 (a) **Except as provided in (e) of this section, beginning** [BEGINNING]  
 4 January 1, 1987, each peace officer or firefighter shall contribute to the plan an  
 5 amount equal to seven and one-half percent of the peace officer's or firefighter's  
 6 compensation. Except as provided in (d) **and (e)** of this section, beginning January 1,  
 7 1987, each other employee shall contribute to the plan an amount equal to six and  
 8 three-quarters percent of the employee's compensation. [THE CONTRIBUTIONS  
 9 SHALL BE DEDUCTED BY THE EMPLOYER AT THE END OF EACH  
 10 PAYROLL PERIOD. THE CONTRIBUTIONS SHALL BE DEDUCTED FROM  
 11 EMPLOYEE COMPENSATION BEFORE COMPUTATION OF APPLICABLE  
 12 FEDERAL TAXES, AND THE CONTRIBUTIONS SHALL BE TREATED AS  
 13 EMPLOYER CONTRIBUTIONS UNDER 26 U.S.C. 414(h)(2). A MEMBER MAY  
 14 NOT HAVE THE OPTION OF MAKING THE PAYROLL DEDUCTION  
 15 DIRECTLY INSTEAD OF HAVING THE CONTRIBUTION PICKED UP BY THE  
 16 EMPLOYER.]

17 \* **Sec. 17.** AS 39.35.160 is amended by adding new subsections to read:

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

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

28 \* **Sec. 18.** AS 39.35.400(e) is amended to read:

29 (e) A disabled employee receiving a nonoccupational disability benefit shall  
 30 provide the administrator, **within** one year after appointment to disability benefits and  
 31 once **within** each year thereafter until disability benefits **are denied or** cease, **with**

1 proof **that the disabled employee has applied** [OF CONTINUING ELIGIBILITY] to  
 2 receive disability payments under the Social Security Act. If the disabled employee is  
 3 otherwise ineligible for a social security payment, the employee shall provide the  
 4 administrator with sufficient medical evidence once each year to demonstrate that  
 5 disability payments under the Social Security Act would be payable had the employee  
 6 been otherwise eligible. If the disabled employee fails to provide the administrator  
 7 with evidence of continuing eligibility for disability payments under the Social  
 8 Security Act or other medical evidence required by the administrator within 30 days  
 9 following each anniversary date, the disability benefits from the plan shall cease. If  
 10 that information is subsequently provided to the administrator, benefit payments will  
 11 resume beginning for the month following that in which the information is provided.  
 12 When disability payments under the Social Security Act cease, it is the responsibility  
 13 of the disabled employee to notify the administrator immediately.

14 \* **Sec. 19.** AS 39.35.410 is amended by adding a new subsection to read:

15 (k) A person who first becomes an employee after June 30, 2006, and who is  
 16 appointed to disability benefits shall, within 30 days after the date disability benefits  
 17 begin, provide the administrator with proof that the employee has applied for  
 18 enrollment in a vocational rehabilitation program approved by administrator. Unless  
 19 the employee demonstrates cause, the benefits terminate at the end of the first month  
 20 in which the employee

21 (1) fails to provide the administrator with the required proof of  
 22 application for enrollment;

23 (2) is certified by the administrator as failing to enroll in or cooperate  
 24 with a vocational rehabilitation program approved under this subsection;

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

26 (4) fails to accept a job offered.

27 \* **Sec. 20.** AS 39.35.535(c) is amended to read:

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

30 (1) a person **who first became a member before July 1, 2006, or the**  
 31 **surviving spouse of the person,** other than a disabled member or a disabled member

1 who is appointed to normal retirement, must pay an amount equal to the full monthly  
2 group premium for retiree major medical insurance coverage if the person is

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

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

6 (ii) 30 years of credited service under AS 39.35.360 and  
7 39.35.370 that is not service as a peace officer; or

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

9 (2) a person **who first became a member before July 1, 2006, or the**  
10 **surviving spouse of the person** is not required to make premium payments for retiree  
11 major medical **insurance** coverage if the person

12 (A) is a disabled member;

13 (B) is a disabled member who is appointed to normal  
14 retirement;

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

17 (D) has at least

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

20 (ii) 30 years of credited service under AS 39.35.360 and  
21 39.35.370 not as a peace officer;

22 **(3) a person who first becomes a member after June 30, 2006, or**  
23 **the surviving spouse of the person shall, except as provided in (4) and (5) of this**  
24 **subsection, pay an amount equal to the full monthly group premium for retiree**  
25 **major medical insurance coverage; however, except as provided in (4) and (5) of**  
26 **this subsection, if the member or surviving spouse is eligible for Medicare, the**  
27 **cost of a monthly premium is a percentage of the full monthly group premium, as**  
28 **follows:**

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

31 **(B) 25 percent if the member has 15 or more, but less than**

1           20, years of service;

2                   (C) 20 percent if the member has 20 or more, but less than

3           25, years of service;

4                   (D) 15 percent if the member has 25 or more, but less than

5           30, years of service not as a peace officer;

6                   (4) except as provided in (5) of this subsection, a person who first  
 7 becomes a member after June 30, 2006, or the surviving spouse of the person  
 8 shall pay a monthly premium that is

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

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

14                   (5) a person who first becomes a member after June 30, 2006, is  
 15 not required to make premium payments for retiree major medical coverage if  
 16 the person

17                           (A) is a disabled member; or

18                           (B) is a disabled member who is appointed to normal  
 19 retirement;

20                   (6) on or after July 1, 2028, and every five years thereafter, the  
 21 administrator shall adjust the percentages under (3) and (4) of this subsection as  
 22 needed to maintain, but not to exceed, over the succeeding five years, an  
 23 employer normal cost rate for persons who first became members after June 30,  
 24 2006, and the surviving spouses of those persons that does not exceed the  
 25 combined total of the rates under AS 39.35.750(a), (b), (d), and (e) minus the  
 26 employer normal cost rate attributable to the persons who first became members  
 27 after June 30, 2006, for benefits under AS 39.35.095 - 39.35.530; an adjustment  
 28 made under this paragraph shall remain in effect for five years; in making an  
 29 adjustment under this paragraph, the administrator shall maintain the five  
 30 percent differences between the percentages in (3)(A), (B), (C), and (D) of this  
 31 subsection and the five percent differences between the percentages in (4)(A) and

1        **(B) of this subsection;**

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

8        \* **Sec. 21.** AS 39.35.620(k) is amended to read:

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

16        \* **Sec. 22.** AS 39.35.680(18) is amended to read:

17                    (18) "employer" means

18                    (A) the State of Alaska;

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

22                    (C) a political subdivision or public organization of the state  
 23        that, as a result of consolidation or reorganization [THAT OCCURS ON OR  
 24        AFTER JULY 1, 2006], assumes liability under the plan of a political  
 25        subdivision or public organization described in (B) of this paragraph;

26        \* **Sec. 23.** AS 39.35.700 is amended to read:

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

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

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

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

8 \* **Sec. 24.** AS 39.35.700 is amended by adding a new subsection to read:

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

12 \* **Sec. 25.** AS 39.35.720 is repealed and reenacted to read:

13                   **Sec. 39.35.720. Retirement plan election option.** (a) A public employee who  
 14 is first hired on or after the effective date of this section may make a one-time election  
 15 to participate in the defined contribution retirement plan under AS 39.35.700 -  
 16 39.35.990 retroactive to the date of hire and may transfer to that plan employee  
 17 contributions, if any, and employer contributions, if any, that have been made to the  
 18 defined benefit retirement plan under AS 39.35.095 - 39.35.680. Before employer  
 19 contributions are transferred under this subsection, the administrator shall recalculate  
 20 them under AS 39.35.255.

21                   (b) The election to participate in the defined contribution retirement plan  
 22 under (a) of this section must be made within 90 days after the date of hire and be  
 23 made in writing on a form and in the manner prescribed by the administrator. Before  
 24 accepting an election to participate in the defined contribution retirement plan under  
 25 AS 39.35.700 - 39.35.990, the administrator shall, within 20 days after the  
 26 administrator receives notice of the public employee's date of hire, provide the  
 27 employee eligible to make an election to participate in the defined contribution  
 28 retirement plan with

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

1 (2) other information that clearly informs the employee of the potential  
2 consequences of the employee's election.

3 (c) An election made under (a) of this section to participate in the defined  
4 contribution retirement plan is irrevocable. Retroactive to the date of hire, the  
5 employee shall be enrolled in the defined contribution retirement plan under  
6 AS 39.35.700 - 39.35.990, the employee's participation in the plan shall be governed  
7 by the provisions for the defined contribution retirement plan, and the employee's  
8 participation in the defined benefit retirement plan under AS 39.35.095 - 39.35.680  
9 shall terminate.

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

25 (e) An election made under (a) of this section by an eligible employee who is  
26 married may not take effect unless the election is signed by the employee's spouse. An  
27 eligible employee whose accounts are subject to a qualified domestic relations order  
28 may not make an election to participate in the defined contribution retirement plan  
29 under this section unless the qualified domestic relations order is amended or vacated  
30 and court-certified copies of the order are received by the administrator.

31 \* **Sec. 26.** AS 39.35.890(j) is repealed and reenacted to read:

1 (j) A member who is appointed to disability benefits shall, within 30 days after  
 2 the date disability benefits begin, provide the administrator with proof that the member  
 3 has applied for enrollment in a vocational rehabilitation program approved by the  
 4 administrator. Unless the member demonstrates cause, the benefits terminate at the  
 5 end of the first month in which the member

6 (1) fails to provide the administrator with the required proof of  
 7 application for enrollment;

8 (2) is certified by the administrator as failing to enroll in or cooperate  
 9 with a vocational rehabilitation program approved under this subsection;

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

11 (4) fails to accept a job offered.

12 \* **Sec. 27.** AS 14.25.012(c), 14.25.540; AS 39.35.940, and 39.35.957(b) are repealed.

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

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

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

31 \* **Sec. 29.** The uncodified law of the State of Alaska is amended by adding a new section to

1 read:

2 RETIREMENT PLAN ELECTION PROCEDURE. (a) An election made under sec.  
3 28 of this Act to participate in the defined benefit retirement plan under AS 14.25.009 -  
4 14.25.220 or AS 39.35.095 - 39.35.680 must be made in writing on one or more forms and in  
5 the manner prescribed by the administrator. Before an eligible member makes an election  
6 under sec. 28 of this Act, the administrator shall provide to the member

7 (1) written notice of the member's eligibility; and

8 (2) information about potential consequences of the member's election,  
9 including calculations that illustrate the effect of changing the member's retirement plan from  
10 the defined contribution retirement plan to the defined benefit retirement plan.

11 (b) An election made under sec. 28 of this Act to participate in the defined benefit  
12 retirement plan is irrevocable. On the effective date of the election, an eligible member who  
13 makes the election shall be enrolled as a member of the defined benefit retirement plan, the  
14 member's participation in the plan shall be governed by the provisions for the defined benefit  
15 retirement plan, and the member's participation in the defined contribution retirement plan  
16 shall terminate. The member's enrollment in the defined benefit retirement plan shall be  
17 effective retroactive to the date of hire. An election made by an eligible member who is  
18 married is not effective unless the election is signed by the member's spouse.

19 (c) When an eligible member makes a one-time election under sec. 28 of this Act, the  
20 administrator shall cause the total amount of the member's employee and employer  
21 contributions, with investment earnings and losses through the final day of the member's  
22 participation as a member in the defined contribution retirement plan, to be actuarially  
23 calculated and, subject to (d) of this section, transferred to the pension fund in the defined  
24 benefit retirement plan. On the effective date of the member's participation in the defined  
25 benefit retirement plan, the member shall be credited with service in the defined benefit  
26 retirement plan that is equal to the member's service in years, including fractional years,  
27 recognized for computing benefits that may be due from the defined contribution retirement  
28 plan. The board shall establish transfer procedures by regulation, but the actual transfer may  
29 not be later than 30 days after the date the administrator receives the member's completed  
30 election forms under (a) of this section, unless the major financial markets for securities  
31 available for a transfer are seriously disrupted by an unforeseen event that also causes the

1 suspension of trading on any national securities exchange in the country where the securities  
 2 were issued. In that event, the 30-day period may be extended by a resolution of the board.  
 3 Transfers are not commissionable or subject to other fees and may be in the form of securities  
 4 or cash as determined by the board. Securities shall be valued on the date of receipt in the  
 5 member's account.

6 (d) If the value actuarially calculated under (c) of this section is insufficient to pay for  
 7 a service credit equal to the member's actual service, the administrator shall allow the member  
 8 to create an indebtedness up to the amount needed to eliminate the insufficiency; however, if  
 9 that value exceeds the amount needed to pay for a service credit equal to the member's actual  
 10 service, the administrator shall cause the excess to be paid to the employee as a rollover  
 11 transfer to either an individual employee annuity account in the Department of Administration  
 12 under the terms of AS 39.30.150 - 39.30.180 (State of Alaska Supplemental Annuity Plan) or,  
 13 if the member's employer does not participate in the State of Alaska Supplemental Annuity  
 14 Plan, to an eligible retirement plan as defined in AS 14.25.360(d) or AS 39.35.760(d). An  
 15 excess under this subsection may not be used to purchase service credit in a retirement plan  
 16 administered under AS 14.25 or AS 39.35.

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

20 (f) In this section,

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

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

26 (3) "defined benefit retirement plan" means the retirement plan established  
 27 under

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

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

30 (4) "defined contribution retirement plan" means the retirement plan  
 31 established under

- 1 (A) AS 14.25.310 - 14.25.590 for a teacher; or  
2 (B) AS 39.35.700 - 39.35.990 for a public employee;  
3 (5) "Internal Revenue Code" has the meaning given in AS 39.35.990.

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

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

10 \* **Sec. 31.** Sections 29 and 30 of this Act take effect immediately under AS 01.10.070(c).

11 \* **Sec. 32.** Except as provided in sec. 31 of this Act, this Act takes effect July 1, 2023.