

**SENATE BILL NO. 35**

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-THIRD LEGISLATURE - FIRST SESSION

BY SENATORS KAWASAKI, Gray-Jackson, Claman

Introduced: 1/18/23

Referred: Labor & Commerce, Finance

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to participation of certain peace officers and firefighters in the defined**  
2 **benefit and defined contribution plans of the Public Employees' Retirement System of**  
3 **Alaska; relating to eligibility of peace officers and firefighters for medical, disability,**  
4 **and death benefits; relating to liability of the Public Employees' Retirement System of**  
5 **Alaska; and providing for an effective date."**

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

7 **\* Section 1.** AS 37.10.220(a) is amended to read:

8 (a) The board shall

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

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

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

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

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

10 (A) AS 14.25.340 - 14.25.350 (teachers' retirement system  
11 defined contribution individual accounts);

12 (B) AS 39.30.150 - 39.30.180 (State of Alaska Supplementary  
13 Annuity Plan);

14 (C) AS 39.35.730 - 39.35.750 (public employees' retirement  
15 system defined contribution individual accounts); and

16 (D) AS 39.45.010 - 39.45.060 (public employees' deferred  
17 compensation program);

18 (6) establish the rate of interest that shall be annually credited to each  
19 member's individual contribution account in accordance with AS 14.25.145 and  
20 AS 39.35.100 and the rate of interest that shall be annually credited to each member's  
21 account in the health reimbursement arrangement plan under AS 39.30.300 -  
22 39.30.495; the rate of interest shall be adopted on the basis of the probable effective  
23 rate of interest on a long-term basis, and the rate may be changed from time to time;

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

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

29 (A) an appropriate contribution rate for normal costs; [AND]

30 (B) an appropriate contribution rate for liquidating any past  
31 service liability; in this subparagraph, the appropriate contribution rate for

1 liquidating the past service liability of the defined benefit retirement plan under  
 2 AS 14.25.009 - 14.25.220 or the past service liability of the defined benefit  
 3 retirement plan under AS 39.35.095 - 39.35.680 must be determined by a level  
 4 percent of pay method based on amortization of the past service liability for a  
 5 closed term of 25 years;

6 **(C) an appropriate monthly employer contribution rate**  
 7 **under AS 39.35.255(j); and**

8 **(D) appropriate adjustments, if any, under AS 39.35.160(e)**  
 9 **and 39.35.475;**

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

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

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

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

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

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

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

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

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

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

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

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

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

7 (15) develop an annual operating budget; [AND]

8 (16) administer pension forfeitures required under AS 37.10.310 using  
9 the procedures of AS 44.62 (Administrative Procedure Act); **and**

10 **(17) determine the amount of the monthly employer contribution**  
11 **under AS 39.35.255(j).**

12 \* **Sec. 2.** AS 37.10.220(b) is amended to read:

13 (b) The board may

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

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

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

19 (4) enter into confidentiality agreements that would exempt records  
20 from AS 40.25.110 and 40.25.120 if the records contain information that could affect  
21 the value of investment by the board or that could impair the ability of the board to  
22 acquire, maintain, or dispose of investments;

23 **(5) adjust the amount of the increase in benefits payable to a peace**  
24 **officer or firefighter who first becomes a member after June 30, 2006, as**  
25 **provided under AS 39.35.475;**

26 **(6) adjust employee contribution rates under AS 39.35.160(e).**

27 \* **Sec. 3.** AS 37.10.390 is amended by adding a new paragraph to read:

28 (5) "peace officer" or "firefighter" has the meaning given in  
29 AS 39.35.680.

30 \* **Sec. 4.** AS 39.30.090(a) is amended to read:

31 (a) The Department of Administration may obtain a policy or policies of group

1 insurance covering state employees, persons entitled to coverage under AS 14.25.168,  
2 14.25.480, AS 22.25.090, AS 39.35.535, 39.35.537, 39.35.880, or former  
3 AS 39.37.145, employees of other participating governmental units, or persons  
4 entitled to coverage under AS 23.15.136, subject to the following conditions:

5 (1) a group insurance policy shall provide one or more of the following  
6 benefits: life insurance, accidental death and dismemberment insurance, weekly  
7 indemnity insurance, hospital expense insurance, surgical expense insurance, dental  
8 expense insurance, audiovisual insurance, or other medical care insurance;

9 (2) each eligible employee of the state, the spouse and the unmarried  
10 children chiefly dependent on the eligible employee for support, and each eligible  
11 employee of another participating governmental unit shall be covered by the group  
12 policy, unless exempt under regulations adopted by the commissioner of  
13 administration;

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

15 (A) its governing body adopts a resolution authorizing  
16 participation and payment of required premiums;

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

19 (C) the commissioner of administration approves the  
20 participation in writing;

21 (4) in procuring a policy of group health or group life insurance as  
22 provided under this section or excess loss insurance as provided in AS 39.30.091, the  
23 Department of Administration shall comply with the dual choice requirements of  
24 AS 21.86.310, and shall obtain the insurance policy from an insurer authorized to  
25 transact business in the state under AS 21.09, a hospital or medical service corporation  
26 authorized to transact business in this state under AS 21.87, or a health maintenance  
27 organization authorized to operate in this state under AS 21.86; an excess loss  
28 insurance policy may be obtained from a life or health insurer authorized to transact  
29 business in this state under AS 21.09 or from a hospital or medical service corporation  
30 authorized to transact business in this state under AS 21.87;

31 (5) the Department of Administration shall make available bid

1 specifications for desired insurance benefits or for administration of benefit claims and  
2 payments to (A) all insurance carriers authorized to transact business in this state  
3 under AS 21.09 and all hospital or medical service corporations authorized to transact  
4 business under AS 21.87 who are qualified to provide the desired benefits; and (B)  
5 insurance carriers authorized to transact business in this state under AS 21.09, hospital  
6 or medical service corporations authorized to transact business under AS 21.87, and  
7 third-party administrators licensed to transact business in this state and qualified to  
8 provide administrative services; the specifications shall be made available at least once  
9 every five years; the lowest responsible bid submitted by an insurance carrier, hospital  
10 or medical service corporation, or third-party administrator with adequate servicing  
11 facilities shall govern selection of a carrier, hospital or medical service corporation, or  
12 third-party administrator under this section or the selection of an insurance carrier or a  
13 hospital or medical service corporation to provide excess loss insurance as provided in  
14 AS 39.30.091;

15 (6) if the aggregate of dividends payable under the group insurance  
16 policy exceeds the governmental unit's share of the premium, the excess shall be  
17 applied by the governmental unit for the sole benefit of the employees;

18 (7) a person receiving benefits under AS 14.25.110, AS 22.25,  
19 AS 39.35, or former AS 39.37 may continue the life insurance coverage that was in  
20 effect under this section at the time of termination of employment with the state or  
21 participating governmental unit;

22 (8) a person electing to have insurance under (7) of this subsection  
23 shall pay the cost of this insurance;

24 (9) for each permanent part-time employee electing coverage under  
25 this section, the state shall contribute one-half the state contribution rate for permanent  
26 full-time state employees, and the permanent part-time employee shall contribute the  
27 other one-half;

28 (10) a person receiving benefits under AS 14.25, AS 22.25, AS 39.35,  
29 or former AS 39.37 may obtain auditory, visual, and dental insurance for that person  
30 and eligible dependents under this section; the level of coverage for persons over 65  
31 shall be the same as that available before reaching age 65 except that the benefits

1 payable shall be supplemental to any benefits provided under the federal old age,  
 2 survivors, and disability insurance program; a person electing to have insurance under  
 3 this paragraph shall pay the cost of the insurance; the commissioner of administration  
 4 shall adopt regulations implementing this paragraph;

5 (11) a person receiving benefits under AS 14.25, AS 22.25, AS 39.35,  
 6 or former AS 39.37 may obtain long-term care insurance for that person and eligible  
 7 dependents under this section; a person who elects insurance under this paragraph  
 8 shall pay the cost of the insurance premium; the commissioner of administration shall  
 9 adopt regulations to implement this paragraph;

10 (12) each licensee holding a current operating agreement for a vending  
 11 facility under AS 23.15.010 - 23.15.210 shall be covered by the group policy that  
 12 applies to governmental units other than the state.

13 \* **Sec. 5.** AS 39.30.097(a) is amended to read:

14 (a) The commissioner of administration is authorized to prefund medical  
 15 benefits provided by AS 14.25.168, AS 22.25.090, [AND] AS 39.35.535, **and**  
 16 **39.35.537** by establishing an irrevocable trust that is exempt from federal income tax  
 17 under 26 U.S.C. 115 and subject to the applicable financial reporting, disclosure, and  
 18 actuarial requirements of the Governmental Accounting Standards Board.

19 \* **Sec. 6.** AS 39.30.097(b) is amended to read:

20 (b) The commissioner of administration is authorized to prefund medical  
 21 benefits provided by AS 14.25.480, AS 39.30.300, **AS 39.35.537**, and **39.35.880**  
 22 [AS 39.35.880] by establishing an irrevocable trust that is exempt from federal income  
 23 tax under 26 U.S.C. 115 and subject to the applicable financial reporting, disclosure,  
 24 and actuarial requirements of the Governmental Accounting Standards Board.

25 \* **Sec. 7.** AS 39.30.300 is amended to read:

26 **Sec. 39.30.300. State of Alaska Teachers' and Public Employees' Retiree**  
 27 **Health Reimbursement Arrangement Plan established.** The State of Alaska  
 28 Teachers' and Public Employees' Retiree Health Reimbursement Arrangement Plan is  
 29 established for teachers who first become members of the defined contribution plan of  
 30 the teachers' retirement system under AS 14.25.310 - 14.25.590 on or after July 1,  
 31 2006, and employees of the state, political subdivisions of the state, and public

1 organizations of the state who first become members [OF THE DEFINED  
 2 CONTRIBUTION PLAN] of the **Public Employees' Retirement System of Alaska**  
 3 **(AS 39.35)** [PUBLIC EMPLOYEES' RETIREMENT SYSTEM UNDER  
 4 AS 39.35.700 - 39.35.990] on or after July 1, 2006.

5 \* **Sec. 8.** AS 39.30.380 is amended to read:

6 **Sec. 39.30.380. Termination of employment.** A person who terminates  
 7 employment before meeting the eligibility requirements of AS 14.25.470,  
 8 **AS 39.35.537, or 39.35.870** [OR AS 39.35.870] loses any right to the contributions  
 9 made on behalf of the person to the teachers' and public employees' retiree health  
 10 reimbursement arrangement trust fund. If a person returns to employment with a  
 11 participating employer by December 31 of the year in which the person reaches 65  
 12 years of age, the person's account balance shall be restored in the amount recorded on  
 13 the date of termination from the trust, adjusted for inflation at the rate of the Consumer  
 14 Price Index for Anchorage, Alaska. The earlier period of employment with a  
 15 participating employer shall be credited toward eligibility for medical benefits.

16 \* **Sec. 9.** AS 39.30.390 is amended to read:

17 **Sec. 39.30.390. Eligibility and reimbursement.** Persons who meet the  
 18 eligibility requirements of AS 14.25.470, **AS 39.35.537, or 39.35.870** [AND  
 19 AS 39.35.870] are eligible for reimbursements from the individual account established  
 20 for a member under the plan, except members do not have to retire directly from the  
 21 system. A person who is the dependent child of an eligible member is eligible for  
 22 reimbursements if the eligible member and surviving spouse have both died so long as  
 23 the person meets the definition of dependent child.

24 \* **Sec. 10.** AS 39.30.400(a) is amended to read:

25 (a) The administrator may deduct the cost of monthly premiums from the  
 26 individual account for retiree major medical insurance on behalf of an eligible person  
 27 who elected retiree major medical insurance under AS 14.25.480, **AS 39.35.537, or**  
 28 **39.35.880** [OR AS 39.35.880].

29 \* **Sec. 11.** AS 39.30.495(5) is amended to read:

30 (5) "eligible person" means a person who meets the eligibility  
 31 requirements of AS 14.25.470, **AS 39.35.537, or 39.35.870** [OR AS 39.35.870];

1 \* **Sec. 12.** AS 39.35.095 is amended to read:

2           **Sec. 39.35.095. Applicability of AS 39.35.095 - 39.35.680.** The  
3 [FOLLOWING] provisions of AS 39.35.095 - 39.35.680 [THIS CHAPTER] apply  
4 only to members

5                   **(1) first hired before July 1, 2006; or**

6                   **(2) who are peace officers or firefighters and**

7                               **(A) former members of the defined contribution retirement**  
8                   **plan under AS 39.35.700 - 39.35.990; or**

9                               **(B) first hired after June 30, 2006, and have not been**  
10                   **members of the defined contribution retirement plan under AS 39.35.700 -**  
11                   **39.35.990** [: AS 39.35.095 - 39.35.680].

12 \* **Sec. 13.** AS 39.35.160(a) is amended to read:

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

26 \* **Sec. 14.** AS 39.35.160 is amended by adding new subsections to read:

27           (e) A peace officer or firefighter who first participates in the plan after  
28 June 30, 2006, shall contribute to the plan an amount equal to eight percent of the  
29 employee's compensation. The board may, from time to time, adjust the employee  
30 contribution under this subsection to an amount that,

31                   (1) if decreased, is not less than eight percent of the employee's

1 compensation; and

2 (2) if increased, is not more than 12 percent of the employee's  
3 compensation.

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

10 \* **Sec. 15.** AS 39.35.255(a) is amended to read:

11 (a) Each employer, except as provided in (h) **and (i)** of this section, shall  
12 contribute to the system every payroll period an amount calculated by applying a rate  
13 of 22 percent of the greater of the total of all base salaries

14 (1) paid by the employer to employees, **other than peace officers or**  
15 **firefighters who first became members of the plan after June 30, 2006,** who are  
16 active members of the system, including any adjustments to contributions required by  
17 AS 39.35.520; or

18 (2) paid by the employer to employees, **other than peace officers or**  
19 **firefighters who first became members of the plan after June 30, 2006,** who were  
20 active members of the system during the corresponding payroll period for the fiscal  
21 year ending

22 (A) June 30, 2008; or

23 (B) June 30, 2012, if that total is less than the total under (A) of  
24 this paragraph, and the employer is a municipality in which the population  
25 decreased by more than 25 percent between 2000 and 2010, according to the  
26 decennial census conducted by the United States Bureau of the Census.

27 \* **Sec. 16.** AS 39.35.255(d) is amended to read:

28 (d) Notwithstanding (a) **and (i)** of this section, the annual employer  
29 contribution rate may not be less than the rate sufficient to allow payment of the  
30 employer normal cost and the employer contributions required under AS 39.30.370  
31 and AS 39.35.750.

1 \* **Sec. 17.** AS 39.35.255(e) is amended to read:

2 (e) An employer of a retired member rehired under AS 39.35.150 shall include  
3 that member's base salary when calculating the contribution amount established in (a)  
4 **or (i)** of this section.

5 \* **Sec. 18.** AS 39.35.255 is amended by adding new subsections to read:

6 (j) An employer that employs a peace officer or firefighter who first  
7 participates in the plan after June 30, 2006, shall contribute to the system every payroll  
8 period an amount equal to the greater of

9 (1) a per capita amount that is calculated by applying a rate,  
10 determined by the board, of not less than 12 percent of the total monthly compensation  
11 the employer pays to all peace officers and firefighters who first became members of  
12 the plan after June 30, 2006; and

13 (2) a per capita amount, determined by the board, that is equal to the  
14 amount calculated under (a) of this section expressed on a per capita basis.

15 (k) The board may, from time to time, increase the percentage rate determined  
16 under (j)(1) of this section; however, that increase must be based on a concurrent  
17 increase, if any, in the employee contribution rate under AS 39.35.160(e).

18 \* **Sec. 19.** AS 39.35.282 is amended to read:

19 **Sec. 39.35.282. Contributions for medical benefits.** Contributions made by  
20 an employer under AS 39.35.255 and 39.35.280 **must** [SHALL] be separately  
21 computed for benefits provided by AS 39.35.535 **and 39.35.537. The contributions**  
22 **computed for benefits provided by AS 39.35.535 must** [AND SHALL] be deposited  
23 in the Alaska retiree health care trust established under AS 39.30.097(a), **and the**  
24 **contributions computed for benefits provided by AS 39.35.537 must be deposited**  
25 **in the teachers' and public employees' retiree health reimbursement arrangement**  
26 **plan trust fund established under AS 39.30.340.**

27 \* **Sec. 20.** AS 39.35.370(a) is amended to read:

28 (a) Subject to AS 39.35.450, a terminated employee **who first became a**  
29 **member before July 1, 2006,** is eligible for a normal retirement benefit

30 (1) at age 60 with at least five years **of** credited service;

31 (2) with at least 20 years of credited service as a peace officer or

1 firefighter; or

2 (3) with at least 30 years of credited service for all other employees.

3 \* **Sec. 21.** AS 39.35.370 is amended by adding a new subsection to read:

4 (l) Subject to AS 39.35.450, a terminated employee who first becomes a  
5 member after June 30, 2006, is eligible for a normal retirement benefit

6 (1) at age 60 with at least five years of credited service in the system as  
7 a peace officer or firefighter; or

8 (2) at age 55 with at least 20 years of credited service in the system as  
9 a peace officer or firefighter.

10 \* **Sec. 22.** AS 39.35.381(e) is amended to read:

11 (e) A person who retires under this section is not entitled to disability or death  
12 benefits under AS 39.35.400 - 39.35.440, a minimum benefit under AS 39.35.485, or  
13 to medical benefits under AS 39.35.535 or 39.35.537. Service earned under this  
14 section may not be used for vesting under AS 39.35.095 - 39.35.680.

15 \* **Sec. 23.** AS 39.35.475(a) is amended to read:

16 (a) Subject to (g) of this section, once [ONCE] each year the administrator  
17 shall increase benefit payments to eligible disabled members, to persons age 60 or  
18 older receiving benefits under this plan in the preceding calendar year, and to persons  
19 who have received benefits under this plan for at least five years who are not  
20 otherwise eligible for an increase under this section.

21 \* **Sec. 24.** AS 39.35.475(b) is amended to read:

22 (b) Subject to (h) of this section, the [THE] increase in benefit payments  
23 applies to total benefit payments except for the cost-of-living allowance under  
24 AS 39.35.480. The amount of the increase is a percentage of the current benefit equal  
25 to

26 (1) the lesser of 75 percent of the increase in the cost of living in the  
27 preceding calendar year or nine percent, for recipients who on July 1 are at least 65  
28 years old and for members receiving disability benefits; and

29 (2) the lesser of 50 percent of the increase in the cost of living in the  
30 preceding calendar year or six percent, for recipients who on July 1 are at least 60 but  
31 less than 65 years old or for recipients who are less than 60 years old on July 1 but

1 who have received benefits from the plan for at least five years.

2 \* **Sec. 25.** AS 39.35.475 is amended by adding new subsections to read:

3 (g) A person who receives a benefit under AS 39.35.370(l) is eligible to  
4 receive an increase in benefits under this section.

5 (h) If the board determines that the portion of the unfunded liability of the plan  
6 that is attributable to all peace officers and firefighters who first become members of  
7 the plan after June 30, 2006, is greater than 10 percent, the board may reduce the  
8 amount of the increase under (b) of this section that is payable to a peace officer or  
9 firefighter who first becomes a member after June 30, 2006. At any time, the board  
10 may terminate a reduction made under this subsection.

11 \* **Sec. 26.** AS 39.35.535(a) is amended to read:

12 (a) Except as provided in (d) **and (g)** of this section, the following persons are  
13 entitled to major medical insurance coverage under this section:

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

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

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

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

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

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

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

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

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

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

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

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

5 (c) A benefit recipient **who became a member before July 1, 2006, or the**  
 6 **surviving spouse of the member** may elect major medical insurance coverage in  
 7 accordance with regulations and under the following conditions:

8 (1) a person, other than a disabled member or a disabled member who  
 9 is appointed to normal retirement, **shall** [MUST] pay an amount equal to the full  
 10 monthly group premium for retiree major medical insurance coverage if the person is

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

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

14 (ii) 30 years of credited service under AS 39.35.360 and  
 15 39.35.370 that is not service as a peace officer; or

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

17 (2) a person 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 \* **Sec. 28.** AS 39.35.535 is amended by adding a new subsection to read:

30 (g) A benefit recipient who is a peace officer or firefighter and who first  
 31 becomes a member after June 30, 2006, or a surviving spouse who is eligible under

1 AS 39.35.537(b) may elect medical benefits under AS 39.35.537.

2 \* **Sec. 29.** AS 39.35 is amended by adding a new section to read:

3 **Sec. 39.35.537. Medical benefit; eligibility of peace officers or firefighters**  
4 **first hired after June 30, 2006; surviving spouses and dependents.** (a) A peace  
5 officer or firefighter who became a member of the plan after June 30, 2006, receives a  
6 monthly benefit from the plan, and has elected benefits under this section is entitled to  
7 medical benefits under this section. A member who applies for medical benefits under  
8 this section shall apply on the forms and in the manner prescribed by the  
9 administrator.

10 (b) The member's surviving spouse is eligible to elect medical benefits if the  
11 member had retired or was eligible for retirement and medical benefits at the time of  
12 the member's death.

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

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

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

24 (f) Participation in the retiree major medical insurance plan is not required in  
25 order to participate in the health reimbursement arrangement plan.

26 (g) A person eligible for medical benefits under this section is not required to  
27 participate in the health reimbursement arrangement plan in order to participate in the  
28 retiree major medical insurance plan.

29 (h) A person who is eligible for medical benefits under this section must make  
30 the irrevocable election to participate or not participate in the retiree major medical  
31 insurance plan on or before the date the person reaches 70 1/2 years of age or when the

1 person applies for retirement and medical benefits, whichever is later.

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

5 (j) The coverage for persons 65 years of age or older is the same as that  
6 available for persons under 65 years of age. The benefits payable to those persons 65  
7 years of age or older supplement any benefits provided under the federal old age,  
8 survivors, and disability insurance program.

9 (k) The medical and optional insurance premiums owed by the person who  
10 elects coverage may be deducted from the health reimbursement arrangement. If the  
11 amount of the health reimbursement arrangement becomes insufficient to pay the  
12 premiums, the person who elects coverage under (a) of this section shall pay the  
13 premiums directly.

14 (l) The cost of premiums for retiree major medical insurance coverage under  
15 this section for an eligible member or surviving spouse who is

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

18 (2) eligible for Medicare is the following percentage of the premium  
19 amounts established for retirees who are eligible for Medicare:

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

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

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

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

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

29 (m) The eligibility for retiree major medical insurance coverage for an  
30 alternate payee under a qualified domestic relations order shall be determined based  
31 on the eligibility of the member to elect coverage. The alternate payee shall pay the

1 full monthly premium for retiree major medical insurance coverage.

2 (n) A person who is entitled to retiree major medical insurance coverage under  
3 this section shall

4 (1) be informed by the administrator in writing

5 (A) that the health insurance coverage available to retired  
6 members may be different from the health insurance coverage provided to  
7 employees;

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

10 (2) indicate in writing on a form provided by the administrator that the  
11 person has received the information required by this subsection and whether the  
12 person has chosen to receive optional health insurance coverage.

13 (o) The monthly group premiums for retiree major medical insurance coverage  
14 under this section are established by the administrator in accordance with  
15 AS 39.30.095. Nothing in this chapter guarantees a person who elects coverage under  
16 (a) of this section a monthly group premium rate for retiree major medical insurance  
17 coverage other than the premium in effect for the month in which the premium is due  
18 for coverage for that month.

19 (p) In this section, "health reimbursement arrangement plan" means the plan  
20 established in AS 39.30.300.

21 \* **Sec. 30.** AS 39.35.680(4) is amended to read:

22 (4) "average monthly compensation" means the result obtained by  
23 dividing the compensation earned by an employee during a considered period by the  
24 number of months, including fractional months, for which compensation was earned;  
25 an employee must have at least 115 days of credited service in the last payroll year in  
26 order for that year to be used as part of the consecutive payroll years; the considered  
27 period consists of

28 (A) for employees first hired before July 1, 1996, the three  
29 consecutive payroll years during the period of credited service that yield the  
30 highest average;

31 (B) for employees first hired on or after July 1, 1996, the five

1 consecutive payroll years during the period of credited service that yield the  
2 highest average;

3 (C) if the employee does not have the number of consecutive  
4 payroll years required by (A) or (B) of this paragraph, the actual number of  
5 months, including fractional months, that the employee worked;

6 (D) for an employee who has made an election under  
7 AS 39.35.300(c) or 39.35.310(c), the actual number of months, including  
8 fractional months, that the employee worked;

9 (E) for a peace officer or firefighter hired **before July 1, 2006**  
10 [AT ANY TIME], the three consecutive payroll years during the period of  
11 credited service that yield the highest average;

12 **(F) for a peace officer or firefighter hired after June 30,**  
13 **2006, the five consecutive payroll years during the period of credited**  
14 **service that yield the highest average;**

15 \* **Sec. 31.** AS 39.35.680(18) is amended to read:

16 (18) "employer" means

17 (A) the State of Alaska;

18 (B) a political subdivision or public organization of the state  
19 that participates in the plan based on a resolution to participate in the plan that  
20 was approved by the administrator

21 **(i) on or before July 1, 2006; or**

22 **(ii) for peace officers and firefighters; or**

23 (C) a political subdivision or public organization of the state  
24 that **assumes liability for participation in the plan by another political**  
25 **subdivision or public organization of the state** [,] as a result of consolidation  
26 or reorganization that occurs

27 **(i) at any time, with respect to peace officers or**  
28 **firefighters;**

29 **(ii) on or after July 1, 2006, with respect to employees**  
30 **who are not peace officers or firefighters** [ASSUMES LIABILITY  
31 UNDER THE PLAN OF A POLITICAL SUBDIVISION OR PUBLIC

1 ORGANIZATION DESCRIBED IN (B) OF THIS PARAGRAPH];

2 \* **Sec. 32.** AS 39.35.680(26) is amended to read:

3 (26) "normal retirement" means retirement for a member who is  
4 eligible to receive benefits under AS 39.35.370(a) or (l) or [UNDER] 39.35.385(a) or  
5 (f);

6 \* **Sec. 33.** AS 39.35.720 is amended to read:

7 **Sec. 39.35.720. Membership.** Except as provided in AS 39.35.095, an [AN]  
8 employee who becomes a member on or after July 1, 2006, shall participate in the plan  
9 set out in AS 39.35.700 - 39.35.990.

10 \* **Sec. 34.** AS 39.35.750 is amended by adding a new subsection to read:

11 (f) This section does not apply to contributions made under AS 39.35.255(j)  
12 and does not require an employer who makes a contribution for an employee under  
13 AS 39.35.255(j) to make another contribution for that employee.

14 \* **Sec. 35.** The uncodified law of the State of Alaska is amended by adding a new section to  
15 read:

16 RETIREMENT PLAN ELECTION. (a) A peace officer or firefighter who was first  
17 hired after June 30, 2006, and before the effective date of this section, and who is a member  
18 of the defined contribution retirement plan of the public employees' retirement system under  
19 AS 39.35.700 - 39.35.990, may, within 90 days after the effective date of this section, make a  
20 one-time election to participate in the defined benefit retirement plan under AS 39.35.095 -  
21 39.35.680 and to transfer all contributions that have been made or should be made to the  
22 defined contribution retirement plan for service the member completes before the effective  
23 date of the member's participation in the defined benefit retirement plan. The transferred  
24 contributions shall be used to purchase credited service in the defined benefit retirement plan  
25 on an actuarial equivalent basis determined by the Alaska Retirement Management Board  
26 established under AS 37.10.210.

27 (b) In this section, "peace officer" or "firefighter" has the meaning given in  
28 AS 39.35.680.

29 \* **Sec. 36.** The uncodified law of the State of Alaska is amended by adding a new section to  
30 read:

31 RETIREMENT PLAN ELECTION PROCEDURE. (a) An election made under sec.

1 35 of this Act to participate in the defined benefit retirement plan under AS 39.35.095 -  
2 39.35.680 must be made in writing on one or more forms and in the manner prescribed by the  
3 administrator. Before accepting an election to participate in the defined benefit retirement  
4 plan, the administrator shall provide the employee who plans on making an election to  
5 participate in the defined benefit retirement plan with information, including calculations to  
6 illustrate the effect of moving the employee's retirement plan from the defined contribution  
7 retirement plan to the defined benefit retirement plan as well as other information that informs  
8 the employee of potential consequences of the employee's election.

9 (b) An election made under sec. 35 of this Act to participate in the defined benefit  
10 retirement plan is irrevocable. On the effective date of the election, an eligible employee who  
11 makes the election shall be enrolled as a member of the defined benefit retirement plan, and  
12 the employee's participation in the plan shall be governed by the applicable provisions of the  
13 defined benefit retirement plan. The employee's enrollment in the defined benefit retirement  
14 plan is retroactive to the date of hire. An election made by an eligible employee who is  
15 married is not effective unless the election is signed by the employee's spouse.

16 (c) When an eligible employee makes a one-time election under sec. 35 of this Act,  
17 the administrator shall cause the total amount of the employee's employee and employer  
18 contributions, with investment earnings and losses through the day of the employee's election  
19 to participate as a member in the defined benefit retirement plan, to be actuarially calculated  
20 and, subject to (e) of this section, transferred to the pension fund in the defined benefit  
21 retirement plan. On the effective date of the employee's participation in the defined benefit  
22 retirement plan, the employee shall be credited with service in the defined benefit retirement  
23 plan that may be purchased under an actuarial equivalent purchase formula as determined by  
24 the board. The board shall establish transfer procedures by regulation, but the actual transfer  
25 may not occur later than 60 days after the date the administrator receives the employee's  
26 completed forms under (a) of this section, unless the major financial markets for securities  
27 available for a transfer are seriously disrupted by an unforeseen event that also causes the  
28 suspension of trading on any national securities exchange in the country where the securities  
29 were issued. In that event, the 60-day period may be extended by a resolution of the board. A  
30 transfer is not commissionable or subject to other fees and may be in the form of cash or a  
31 security as determined by the board. A security shall be valued on the date of receipt in the

1 employee's account.

2 (d) When making a transfer for an eligible employee under (c) of this section, the  
3 administrator shall cause an amount equal to the

4 (1) decrease in the accrued actuarial liability of the occupational death and  
5 disability trust in the defined contribution retirement plan resulting from the transfer as of the  
6 date of transfer, based on the most recent actuarial valuation of the occupational death and  
7 disability trust, to be transferred from the occupational death and disability trust in the defined  
8 contribution retirement plan to the pension fund in the defined benefit retirement plan; and

9 (2) increase in the accrued actuarial liability of the health care trust in the  
10 defined benefit retirement plan resulting from the transfer as of the date of transfer, based on  
11 the actuarial assumptions set out in (g) of this section, to be transferred from the trust  
12 established under AS 39.30.097(b) for the prefunding of medical benefits provided by  
13 AS 39.35.880 to the trust established under AS 39.30.097(a) for the prefunding of medical  
14 benefits provided by AS 39.35.537.

15 (e) If the value actuarially calculated under (c) of this section is insufficient to pay for  
16 service credit equal to the employee's actual service, the administrator shall allow the  
17 employee the option of purchasing any indebtedness up to the amount needed to eliminate the  
18 insufficiency; however, if that value exceeds the amount needed to pay for a service credit  
19 equal to the employee's actual service, the administrator shall cause the excess to remain in  
20 the employee's retirement plan established under AS 39.35.700 - 39.35.990. An excess under  
21 this subsection may not be used to purchase service credit in a retirement plan administered  
22 under AS 39.35.

23 (f) The amount of service that can be purchased under (e) of this section is based on  
24 the transferred employee's accrued actuarial liability of pension benefits in the defined benefit  
25 retirement plan. The actuarial assumptions under this section are based on the actuarial  
26 assumptions set out in (g) of this section.

27 (g) Actuarial assumptions must be based on the most recent actuarial valuation of the  
28 defined benefit retirement plan, except that the retirement rates are computed at 75 percent of  
29 the retirement rates for peace officers and firefighters used in the most recent actuarial  
30 valuation of the defined contribution retirement pension fund plus 25 percent of the retirement  
31 rates for peace officers and firefighters used in the most recent actuarial valuation of the

1 defined benefit retirement plan.

2 (h) The provisions of this section are subject to the requirements of the Internal  
3 Revenue Code and the limitations under AS 39.35.115, 39.35.678, 39.35.710(c) and (d), and  
4 39.35.895.

5 (i) In this section,

6 (1) "administrator" means the commissioner of administration or the person  
7 designated by the commissioner of administration under AS 39.35.003 for a public  
8 employees' retirement plan;

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

11 (3) "defined benefit retirement plan" means the retirement plan established  
12 under AS 39.35.095 - 39.35.680 for a public employee;

13 (4) "defined contribution retirement plan" means the retirement plan  
14 established under AS 39.35.700 - 39.35.990 for a public employee;

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

16 \* **Sec. 37.** The uncodified law of the State of Alaska is amended by adding a new section to  
17 read:

18 **ADOPTION OF REGULATIONS.** (a) The Alaska Retirement Management Board  
19 may adopt regulations necessary to implement secs. 1 - 3 of this Act. Regulations adopted by  
20 the Alaska Retirement Management Board under this Act relate to the internal management of  
21 a state agency and are not subject to AS 44.62 (Administrative Procedure Act) under  
22 AS 37.10.240.

23 (b) The commissioner of administration may adopt regulations necessary to  
24 implement secs. 4 - 36 of this Act. Regulations adopted by the commissioner of  
25 administration under this Act relate to the internal management of a state agency and are not  
26 subject to AS 44.62 (Administrative Procedure Act) under AS 39.30.098 and AS 39.35.005.

27 (c) Regulations adopted under this section may not take effect before the effective  
28 date of the law being implemented by the regulation.

29 \* **Sec. 38.** Section 37 of this Act takes effect immediately under AS 01.10.070(c).

30 \* **Sec. 39.** Except as provided in sec. 38 of this Act, this Act takes effect July 1, 2023.