

**CS FOR SENATE BILL NO. 88(L&C)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-THIRD LEGISLATURE - FIRST SESSION

BY THE SENATE LABOR AND COMMERCE COMMITTEE

Offered: 5/1/23

Referred: Finance

Sponsor(s): SENATORS GIESSEL, Bishop, Stevens, Kiehl, Kawasaki, Tobin, Wielechowski, Gray-Jackson, Dunbar, Claman, Olson

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to the Public Employees' Retirement System of Alaska and the**  
2 **teachers' retirement system; providing certain employees an opportunity to choose**  
3 **between the defined benefit and defined contribution plans of the Public Employees'**  
4 **Retirement System of Alaska 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7 \* **Section 1.** AS 14.25.009 is repealed and reenacted to read: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.** The provisions of  
9 AS 14.25.009 - 14.25.220 apply to teachers who are eligible to be members of the  
10 defined benefit retirement plan under AS 14.25.009 - 14.25.220 and are not members  
11 of the defined contribution retirement plan under AS 14.25.310 - 14.25.590.

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

13 (a) **A teacher or member contracting for service with a participating**

1 **employer is subject to AS 14.25.009 - 14.25.220 unless the** [UNLESS A] teacher or  
2 member

3 (1) participates in a university retirement program under AS 14.40.661  
4 - 14.40.799;

5 **(2) became a member after June 30, 2006, and before July 1, 2024,**  
6 **is eligible to participate in the defined contribution retirement plan under**  
7 **AS 14.25.310 - 14.25.590, and does not elect to participate in the defined benefit**  
8 **retirement plan under AS 14.25.009 - 14.25.220;** or

9 (3) has elected under **former** AS 14.25.540 to participate in the plan  
10 established in AS 14.25.310 - 14.25.590 **and does not elect to participate in the**  
11 **defined benefit retirement plan under AS 14.25.009 - 14.25.220** [, A TEACHER  
12 OR MEMBER CONTRACTING FOR SERVICE WITH A PARTICIPATING  
13 EMPLOYER IS SUBJECT TO AS 14.25.009 - 14.25.220].

14 \* **Sec. 3.** AS 14.25.040 is amended by adding new subsections to read:

15 (f) An active member of this plan who is also employed in a position in the  
16 public employees' retirement plan under AS 39.35.095 - 39.35.680 may elect to  
17 participate solely in this plan if

18 (1) the member directs the public employees' retirement plan employer  
19 in writing to

20 (A) pay into this plan the employer contributions required for a  
21 member under AS 14.25.009 - 14.25.220; and

22 (B) deduct from the member's salary and pay into this plan

23 (i) the employee contributions required for a member  
24 under AS 14.25.009 - 14.25.220; and

25 (ii) an amount equal to the difference between the total  
26 employer and state contributions required for a member under  
27 AS 14.25.009 - 14.25.220 and the employer contributions that would be  
28 required under AS 39.35.095 - 39.35.680 if the member participated in  
29 that plan; and

30 (2) the member provides written notice to the administrator.

31 (g) An active member of this plan who elects to participate solely in this plan

1 under (f) of this section may not, while participating solely in this plan, receive  
 2 credited service for benefit eligibility for service performed in a position in the public  
 3 employees' retirement plan.

4 (h) A teacher who became a member after June 30, 2006, and before July 1,  
 5 2024, is subject to AS 14.25.009 - 14.25.220 and is not eligible to participate in the  
 6 defined contribution retirement plan established in AS 14.25.310 - 14.25.590 if the  
 7 teacher

8 (1) is not employed by an employer on July 1, 2024;

9 (2) is reemployed by an employer after July 1, 2024; and

10 (3) has, before the date of reemployment, received

11 (A) a distribution, other than a rollover distribution, of the  
 12 entire balance in the teacher's individual account in the defined contribution  
 13 retirement plan; or

14 (B) a rollover distribution of the entire balance in the teacher's  
 15 individual account in the defined contribution retirement plan under  
 16 AS 14.25.310 - 14.25.590 and has not within 120 days of reemployment had  
 17 all or part of a direct rollover distribution from an eligible retirement plan  
 18 owned by the teacher paid directly into the teacher's individual account under  
 19 AS 14.25.310 - 14.25.590.

20 \* **Sec. 4.** AS 14.25 is amended by adding a new section to read:

21 **Sec. 14.25.044. Election of defined benefit retirement plan by reemployed**  
 22 **teachers.** (a) A teacher may make a one-time election to participate in the defined  
 23 benefit retirement plan under AS 14.25.009 - 14.25.220 if the teacher

24 (1) was first hired after June 30, 2006, and before July 1, 2024;

25 (2) is not employed by an employer on July 1, 2024;

26 (3) is reemployed by an employer after July 1, 2024; and

27 (4) before the date of reemployment,

28 (A) has not received a distribution of the entire balance in the  
 29 teacher's individual account under the defined contribution retirement plan  
 30 under AS 14.25.310 - 14.25.590; or

31 (B) has received a rollover distribution of the entire balance in

1 the teacher's individual account in the plan under AS 14.25.310 - 14.25.590  
2 and has within 120 days of reemployment had all or part of a direct rollover  
3 distribution from an eligible retirement plan owned by the teacher paid directly  
4 into the teacher's individual account under AS 14.25.310 - 14.25.590.

5 (b) An election under (a) of this section may be made not more than 120 days  
6 after the date of reemployment. A reemployed teacher electing to participate under (a)  
7 of this section shall use the balance of the member's individual account in the plan  
8 under AS 14.25.310 - 14.25.590, including any rollover contributions, to purchase  
9 credited service in the plan under AS 14.25.009 - 14.25.220. An election made under  
10 (a) of this section must be made in writing in the manner prescribed by the  
11 administrator. An election made by a teacher who is married is not effective unless the  
12 election is signed by the teacher's spouse. The administrator shall provide a teacher  
13 who is eligible to make an election under (a) of this section with information about the  
14 potential consequences of the teacher's election, including calculations to illustrate the  
15 effect of moving the teacher's retirement plan from a defined contribution retirement  
16 plan to a defined benefit retirement plan.

17 (c) An election made under (a) of this section to participate in the plan under  
18 AS 14.25.009 - 14.25.220 is irrevocable. On the effective date of the election, the  
19 teacher shall be enrolled as a member of the plan, and the teacher's participation in the  
20 plan shall be governed by the applicable provisions of the plan. The teacher's  
21 enrollment in the plan is retroactive to the date of hire.

22 (d) When a teacher makes an election under this section, the administrator  
23 shall cause the total amount of the teacher's member and employer contributions to the  
24 plan under AS 14.25.310 - 14.25.590, with investment earnings and losses through the  
25 day of the teacher's election to participate as a member in the plan under AS 14.25.009  
26 - 14.25.220, to be actuarially calculated and, subject to (f) of this section, transferred  
27 to the retirement fund in the plan under AS 14.25.009 - 14.25.220. On the effective  
28 date of the teacher's participation in the plan under AS 14.25.009 - 14.25.220, the  
29 teacher shall be credited with service in the plan. The board shall determine the cost of  
30 the teacher's actual service time based on the teacher's accrued actuarial liability of  
31 pension benefits in the plan, and credit the teacher with service time equal to the value

1 actuarially calculated and transferred to the retirement fund in the plan under  
2 AS 14.25.009 - 14.25.220. The board shall adopt regulations establishing transfer  
3 procedures. The transfer may not occur later than 60 days after the date the  
4 administrator receives the teacher's election, unless the major financial markets for  
5 securities available for a transfer are seriously disrupted by an unforeseen event that  
6 also causes the suspension of trading on any national securities exchange in the  
7 country where the securities were issued. In that event, the 60-day period may be  
8 extended by a resolution of the board. A transfer is not commissionable or subject to  
9 other fees and may be in the form of cash or a security as determined by the board. A  
10 security shall be valued on the date of receipt in the teacher's account.

11 (e) When making a transfer under (d) of this section, or for a reemployed  
12 teacher entering the plan under AS 14.25.040(h), the administrator shall transfer an  
13 amount equal to the decrease in the accrued actuarial liability of the death and  
14 disability trust in the plan established under 14.25.310 - 14.25.590 resulting from the  
15 transfer as of the date of transfer, based on the most recent actuarial valuation of the  
16 death and disability trust, from the death and disability trust in the plan established  
17 under 14.25.310 - 14.25.590 to the retirement fund in the plan under AS 14.25.009 -  
18 14.25.220.

19 (f) If the value actuarially calculated under (d) of this section is insufficient to  
20 pay for service credit equal to the teacher's actual service time, the administrator shall  
21 allow the teacher the option of purchasing service credit in an amount up to the  
22 amount needed to eliminate the insufficiency; however, if that value exceeds the  
23 amount needed to pay for service credit equal to the teacher's actual service, the  
24 administrator shall cause the excess to remain in the teacher's individual account in the  
25 plan under AS 14.25.310 - 14.25.590. The excess may not be used to purchase  
26 additional service credit in the plan under AS 14.25.009 - 14.25.220. When a  
27 reemployed teacher enters the plan under AS 14.25.040(h), the administrator shall  
28 allow the teacher to pay for a period of service credit up to the teacher's actual service.  
29 When a teacher elects to purchase service credit under this section and does not  
30 immediately pay for the service credit purchased, an indebtedness is established.  
31 Interest as prescribed by regulation accrues on a teacher's indebtedness. Indebtedness

1 that exists at the time the teacher is appointed to retirement necessitates an actuarial  
 2 adjustment to the benefits payable due to service in the defined contribution retirement  
 3 plan.

4 (g) Actuarial assumptions about the plan under AS 14.25.009 - 14.25.220  
 5 must be based on the most recent actuarial valuation of the plan, except that the  
 6 retirement rates are computed at 25 percent of the retirement rates used in the most  
 7 recent actuarial valuation of the retirement fund plus 75 percent of the retirement rates  
 8 used in the most recent actuarial valuation of the plan under AS 14.25.310 - 14.25.590.

9 (h) The provisions of this section are subject to the requirements of the  
 10 Internal Revenue Code and the limitations under AS 14.25.010, 14.25.181,  
 11 14.25.320(c) and (d), and 14.25.490.

12 \* **Sec. 5.** AS 14.25.048(b) is amended to read:

13 (b) An employee or former employee **who first became a member of the**  
 14 **plan before July 1, 2006,** may receive credit for retroactive membership service for  
 15 employment before June 5, 1988, if the employee or former employee met the  
 16 requirements listed in (a) of this section at the time of the employment. To receive  
 17 credit for the retroactive membership service, the employee or former employee shall  
 18 claim the service and pay the retroactive contributions required under **former**  
 19 AS 14.25.061. However, an employee or former employee may not receive retroactive  
 20 credit under this subsection if the employee received credited service under AS 39.35  
 21 for the employment.

22 \* **Sec. 6.** AS 14.25.048(c) is amended to read:

23 (c) An employee or former employee **who first became a member of the**  
 24 **plan before July 1, 2006, and** who received credit under AS 39.35 for service that  
 25 qualifies under (a) of this section may elect to transfer those periods of employment to  
 26 the plan. To receive credit for retroactive membership service under this subsection,  
 27 the employee or former employee shall claim the service and pay the retroactive  
 28 contributions required under **former** AS 14.25.061.

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

30 (a) Except as provided in (c) **and (e)** of this section, beginning January 1,  
 31 1991, each member shall contribute to the plan an amount equal to 8.65 percent of the

1 member's base salary accrued from July 1 to the following June 30. [THE  
 2 EMPLOYER SHALL DEDUCT THE CONTRIBUTION FROM THE MEMBER'S  
 3 SALARY AT THE END OF EACH PAYROLL PERIOD, AND THE  
 4 CONTRIBUTION SHALL BE CREDITED BY THE PLAN TO THE MEMBER  
 5 CONTRIBUTION ACCOUNT. THE CONTRIBUTIONS SHALL BE DEDUCTED  
 6 FROM EMPLOYEE COMPENSATION BEFORE THE COMPUTATION OF  
 7 APPLICABLE FEDERAL TAXES AND SHALL BE TREATED AS EMPLOYER  
 8 CONTRIBUTIONS UNDER 26 U.S.C. 414(h)(2). A MEMBER MAY NOT HAVE  
 9 THE OPTION OF MAKING THE PAYROLL DEDUCTION DIRECTLY IN CASH  
 10 INSTEAD OF HAVING THE CONTRIBUTION PICKED UP BY THE  
 11 EMPLOYER.]

12 \* **Sec. 8.** AS 14.25.050 is amended by adding new subsections to read:

13 (e) A member who first participates in the plan after June 30, 2006, shall  
 14 contribute to the plan an amount equal to eight percent of the member's base salary  
 15 accrued from July 1 to the following June 30. The board may, from time to time,  
 16 adjust the contribution under this subsection to an amount that,

17 (1) if decreased, is not less than eight percent of the member's base  
 18 salary; and

19 (2) if increased, is not more than 12 percent of the member's base  
 20 salary.

21 (f) The employer shall deduct a contribution under this section from the  
 22 member's salary at the end of each payroll period, and the contribution shall be  
 23 credited by the plan to the member contribution account. The contributions shall be  
 24 deducted from member compensation before the computation of applicable federal  
 25 taxes and 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 in cash  
 27 instead of having the contribution picked up by the employer.

28 (g) The board may increase the member contribution rate under (e) of this  
 29 section if the board determines that the portion of the liability of the plan that is  
 30 attributable to all members who first became members of the plan after June 30, 2006,  
 31 is funded below 90 percent. Before increasing the member contribution rate under (e)

1 of this section, the board shall determine an amount sufficient to address the plan's  
 2 past service liability attributable to all members who first became members of the plan  
 3 after June 30, 2006. An increase to the member contribution rate may raise not more  
 4 than 50 percent of the amount sufficient to address the plan's past service liability  
 5 attributable to all members who first became members of the plan after June 30, 2006.  
 6 The board may decrease the rate under (e) of this section if the board determines that  
 7 the portion of the liability of the plan that is attributable to all members who first  
 8 became members of the plan after June 30, 2006, is funded above 90 percent.

9 \* **Sec. 9.** AS 14.25.065(b) is amended to read:

10 (b) The contributions of employers under AS 14.25.070 must be transmitted to  
 11 the plan for deposit in the retirement fund and the Alaska retiree health care trust at the  
 12 close of each pay period. If the contributions are not submitted within the prescribed  
 13 time limit, interest must be assessed on the outstanding contributions at [ONE AND  
 14 ONE-HALF TIMES] the most recent actuarially determined rate of earnings for the  
 15 plan from the date that contributions were originally due. Amounts due from an  
 16 employer and interest as prescribed in this section may be claimed by the  
 17 administrator from any agency of the state or political subdivision that has in its  
 18 possession funds of the employer or that is authorized to disburse funds to the  
 19 employer that are not restricted by statute or appropriation to a specific purpose. The  
 20 amount claimed shall be certified by the administrator as sufficient to pay the  
 21 contributions and interest due from the employer. The amount claimed shall be  
 22 submitted to the administrator for deposit in the retirement fund and the Alaska retiree  
 23 health care trust.

24 \* **Sec. 10.** AS 14.25.070(a) is amended to read:

25 (a) Each employer shall contribute to the system every payroll period **the**  
 26 **lesser of**

27 **(1)** an amount calculated by applying a rate of 12.56 percent to the  
 28 total of all base salaries paid by the employer to active members of the system and to  
 29 members who are retired from the plan and reemployed under AS 14.20.136,  
 30 including any adjustments to contributions required by AS 14.25.173(a); **or**

31 **(2) an amount calculated by applying a rate established by the**

1 board under AS 37.10.220 to the total of all base salaries paid by the employer to  
 2 active members of the system and to members who are retired from the plan and  
 3 reemployed under AS 14.20.136, including any adjustments to contributions  
 4 required by AS 14.25.173(a); the rate must be at least 12 percent and be sufficient  
 5 to pay the actuarially determined employer normal cost, all contributions  
 6 required under AS 14.25.350 and AS 39.30.370, and past service cost for  
 7 members of the system.

8 \* **Sec. 11.** AS 14.25.070 is amended by adding a new subsection to read:

9 (i) If the legislature appropriates funds for the purpose of decreasing an  
 10 employer's contribution, the employer's contribution under (a) of this section shall  
 11 decrease by that amount.

12 \* **Sec. 12.** AS 14.25.075(a) is amended to read:

13 (a) An employee who is eligible to purchase credited service under  
 14 AS 14.25.047 or 14.25.048, a member who is eligible to purchase credited service  
 15 under former AS 14.25.061 or under AS 14.25.048, 14.25.050, 14.25.060,  
 16 [14.25.061,] 14.25.100, or 14.25.107, or a teacher who is eligible to purchase credited  
 17 service under AS 14.20.345, AS 14.25.044, 14.25.050 [AS 14.25.050], or 14.25.105,  
 18 in lieu of making payments directly to the plan, may elect to have the member's  
 19 employer make payments as provided in this section.

20 \* **Sec. 13.** AS 14.25.075(b) is amended to read:

21 (b) A member may elect to have the employer make payments for all or any  
 22 portion of the amounts payable for the member's purchase of credited service through  
 23 a salary reduction program as follows:

24 (1) the amounts paid under a salary reduction program are in lieu of  
 25 contributions by the member making the election; the electing member's salary or  
 26 other compensation shall be reduced by the amount paid by the employer under this  
 27 subsection;

28 (2) the member shall make an irrevocable election under this  
 29 subsection to purchase credited service as permitted in former AS 14.25.061 or in  
 30 AS 14.20.345, AS 14.25.044, 14.25.047 [AS 14.25.047], 14.25.048, 14.25.050,  
 31 14.25.060, [14.25.061,] 14.25.100, 14.25.105, or 14.25.107 before the member's

1 termination of employment; the irrevocable election must specify the number of  
 2 payroll periods that deductions will be made from the member's compensation and the  
 3 dollar amount of deductions for each payroll period during the specified number of  
 4 payroll periods; the deductions made under this paragraph cease upon the earlier of the  
 5 member's termination of employment with the employer or the member's death;  
 6 amounts paid by an employer under (f) of this section may not be applied toward the  
 7 payment of the dollar amount of the deductions representing the portion of the credited  
 8 service that is being purchased by the member through payroll deduction in  
 9 accordance with the member's irrevocable election under this paragraph;

10 (3) amounts paid by an employer under this subsection shall be treated  
 11 as employer contributions for the purpose of determining tax treatment under 26  
 12 U.S.C. (Internal Revenue Code); the amounts paid by the employer under this section  
 13 may not be included in the member's gross income for income tax purposes until those  
 14 amounts are distributed by refund or retirement benefit payments.

15 \* **Sec. 14.** AS 14.25.075(i) is amended to read:

16 (i) On satisfaction of the eligibility requirements of **former AS 14.25.061 or**  
 17 **of** AS 14.20.345, **AS 14.25.044, 14.25.047** [AS 14.25.047], 14.25.048, 14.25.050,  
 18 14.25.060, [14.25.061,] 14.25.100, 14.25.105, or 14.25.107, the requirements of this  
 19 section, and the administrative filing requirements specified by the administrator, the  
 20 plan shall adjust the member's credited service history and add any additional service  
 21 credits acquired.

22 \* **Sec. 15.** AS 14.25 is amended by adding a new section to read:

23 **Sec. 14.25.086. Contributions for member who first became a member**  
 24 **after June 30, 2006.** Contributions made by an employer under AS 14.25.070 and  
 25 14.25.085 for a member who first became a member after June 30, 2006, other than  
 26 contributions separately computed for medical benefits under AS 14.25.087, and the  
 27 member's contribution account must be deposited in a sub-trust of the retirement fund  
 28 established by the board.

29 \* **Sec. 16.** AS 14.25.087 is amended to read:

30 **Sec. 14.25.087. Contributions for medical benefits.** Contributions made by  
 31 an employer under AS 14.25.070 and 14.25.085 **must** [SHALL] be separately

1 computed for benefits provided by AS 14.25.168, 14.25.171, and AS 39.30.400. The  
 2 contributions computed for benefits provided under

3 (1) AS 14.25.168 must [AND SHALL] be deposited in the Alaska  
 4 retiree health care trust established under AS 39.30.097(a);

5 (2) AS 14.25.171 must be deposited in the Alaska retiree health  
 6 care trust established under AS 39.30.097(b); and

7 (3) AS 39.30.400 must be deposited in the teachers' and public  
 8 employees' retiree health reimbursement arrangement plan trust fund  
 9 established under AS 39.30.340.

10 \* **Sec. 17.** AS 14.25.110(a) is amended to read:

11 (a) Subject to AS 14.25.167,

12 (1) a member who first became a member of the plan before July 1,  
 13 2006, is eligible for a normal retirement benefit if the member

14 (A) [(1)] was first hired before July 1, 1975, has attained the  
 15 age of 55 years, and has at least 15 years of credited service, the last five of  
 16 which have been membership service, or is otherwise vested in the plan;

17 (B) [(2)] has attained the age of 60 years and has at least eight  
 18 years of membership service;

19 (C) [(3)] has attained the age of 60 years, has at least five years  
 20 of membership service, and has Alaska BIA service which, when added to the  
 21 membership service, will equal at least eight years;

22 (D) [(4)] has at least 25 years of credited service, the last five  
 23 of which have been membership service;

24 (E) [(5)] has at least 20 years of membership service;

25 (F) [(6)] has at least 20 years of combined membership service  
 26 and Alaska BIA service, the last five of which have been membership service;  
 27 or

28 (G) [(7)] has, for each of 20 school years,

29 (i) [(A)] at least one-half year of membership service as  
 30 a part-time teacher;

31 (ii) [(B)] one full year of membership service as a full-

1 time teacher; or

2 (iii) [(C)] any combination of service qualified under  
3 this subparagraph;

4 (2) a member who first became a member of the plan after  
5 June 30, 2006, is eligible for a normal retirement benefit if the member

6 (A) has attained the age of 60 years and has at least five  
7 years of membership service; or

8 (B) has at least 30 years of membership service

9 [PARAGRAPH].

10 \* **Sec. 18.** AS 14.25.110(b) is amended to read:

11 (b) Subject to AS 14.25.167, a member is eligible for an early retirement  
12 benefit upon completing the service requirements in (a)(1)(A) [(a)(1)] of this section  
13 and attaining the age of 50 years or upon completing the service requirements in  
14 (a)(1)(B) or (C) [(a)(2) OR (3)] of this section and attaining the age of 55 years.

15 \* **Sec. 19.** AS 14.25.110(d) is amended to read:

16 (d) The monthly amount of a retirement benefit

17 (1) for a member who first became a member of the plan before  
18 July 1, 2006, and who has paid the full amount of any indebtedness is one-twelfth of  
19 the member's average base salary during any three school years of membership service  
20 multiplied by

21 (A) [(1)] two percent of the years of credited service earned  
22 before June 30, 1990, including credited fractional years, and the years of  
23 credited service through a total of 20 years; plus

24 (B) [(2)] two and one-half percent of the years of credited  
25 service earned after June 30, 1990, that are more than 20 years of total credited  
26 service;

27 (2) for a member who first became a member of the plan after  
28 June 30, 2006, and who has paid the full amount of any indebtedness is one-  
29 twelfth of the member's average base salary during any five school years of  
30 membership service multiplied by

31 (A) two percent of the years of credited service through a

1 total of 10 years; plus

2 (B) two and one-quarter percent of the years over 10 years  
 3 of total credited service through 20 years; plus

4 (C) two and one-half percent of the years of credited service  
 5 that are more than 20 years of total credited service.

6 \* **Sec. 20.** AS 14.25.142(a) is amended to read:

7 (a) While residing in the state, a person who first became a member of the  
 8 plan before July 1, 2006, who is receiving a benefit under AS 14.25.009 - 14.25.220,  
 9 and who is at least 65 years of age or a person who first became a member of the  
 10 plan before July 1, 2006, and who is receiving a disability benefit under  
 11 AS 14.25.009 - 14.25.220 is entitled to receive a monthly cost-of-living allowance in  
 12 addition to the basic benefit. The amount of this allowance is 10 percent of the basic  
 13 benefit.

14 \* **Sec. 21.** AS 14.25.143(a) is amended to read:

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

20 \* **Sec. 22.** AS 14.25.143(b) is amended to read:

21 (b) Subject to (g) and (h) of this section, the [THE] increase in benefit  
 22 payments applies to total benefit payments except for the cost-of-living allowance  
 23 under AS 14.25.142. The amount of the increase is a percentage of the current benefit  
 24 equal to

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

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

1 \* **Sec. 23.** AS 14.25.143 is amended by adding new subsections to read:

2 (g) Subject to (h) of this section, the amount of an increase for members who  
3 first became members of the plan after June 30, 2006, and do not meet the eligibility  
4 requirements for a permanent fund dividend in effect on July 1, 2024, under  
5 AS 43.23.005(a) is equal to one-half of the applicable percentage under (b) of this  
6 section.

7 (h) If the board determines that the portion of the liability of the plan that is  
8 attributable to all members who first became members of the plan after June 30, 2006,  
9 is funded below 90 percent, the board may reduce the amount of the increase  
10 determined under (b) or (g) of this section that is payable to a member who first  
11 became a member after June 30, 2006. At any time, the board may terminate a  
12 reduction made under this subsection.

13 \* **Sec. 24.** AS 14.25.168(a) is amended to read:

14 (a) Except as provided in AS 14.25.171 and (c) of this section, the following  
15 persons are entitled to major medical insurance coverage under this section:

16 (1) for teachers first hired before July 1, 1990,

17 (A) a teacher who is receiving a monthly benefit from the plan  
18 and who has elected coverage;

19 (B) the spouse and dependent children of the teacher described  
20 in (A) of this paragraph;

21 (C) the surviving spouse of a deceased teacher who is receiving  
22 a monthly benefit from the plan and who has elected coverage;

23 (D) the dependent children of a deceased teacher who are  
24 dependent on the surviving spouse described in (C) of this paragraph;

25 (2) for teachers first hired [ON OR] after June 30 [JULY 1], 1990,

26 (A) a teacher who is receiving a monthly benefit from the plan  
27 and who has elected coverage for the teacher;

28 (B) the spouse of the teacher described in (A) of this paragraph  
29 if the teacher elected coverage for the spouse;

30 (C) the dependent children of the teacher described in (A) of  
31 this paragraph if the teacher elected coverage for the dependent children;

1 (D) the surviving spouse of a deceased teacher who is receiving  
2 a monthly benefit from the plan and who has elected coverage;

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

6 \* **Sec. 25.** AS 14.25 is amended by adding a new section to read:

7 **Sec. 14.25.171. Medical benefit; eligibility of employees first hired after**  
8 **June 30, 2006; surviving spouses and dependents.** (a) A teacher who first became a

9 member of the plan after June 30, 2006, receives a monthly benefit from the plan,  
10 retired directly from the plan, and has elected benefits under this section is entitled to  
11 medical benefits under this section. A member who applies for medical benefits under  
12 this section shall apply on the forms and in the manner prescribed by the  
13 administrator. A member is eligible to retire from the plan if the member has been an  
14 active member for at least 12 months before application for retirement and the member

15 (1) has at least 30 years of service; or

16 (2) reaches the age set for Medicare eligibility and has at least 10 years  
17 of service.

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

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

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

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

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

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

6 (h) A person who is eligible for medical benefits under this section must make  
7 the irrevocable election to participate or not participate in the retiree major medical  
8 insurance plan on or before the date the person reaches 70 1/2 years of age or when the  
9 person applies for retirement and medical benefits, whichever is later.

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

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

17 (k) The medical and optional insurance premiums owed by the person who  
18 elects coverage may be deducted from the health reimbursement arrangement plan. If  
19 the amount of the health reimbursement arrangement plan becomes insufficient to pay  
20 the premiums, the person who elects coverage under (a) of this section shall pay the  
21 premiums directly.

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

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

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

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

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

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

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

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

6 (m) The eligibility for retiree major medical insurance coverage for an  
7 alternate payee under a qualified domestic relations order shall be determined based  
8 on the eligibility of the member to elect coverage. The alternate payee shall pay the  
9 full monthly premium for retiree major medical insurance coverage.

10 (n) The administrator shall

11 (1) inform a person entitled to retiree major medical insurance  
12 coverage under this section in writing

13 (A) that the health insurance coverage available to retired  
14 members may be different from the health insurance coverage provided to  
15 employees;

16 (B) of time limits for selecting optional health insurance  
17 coverage; and

18 (C) whether the election is irrevocable; and

19 (2) require that a person entitled to retiree major medical insurance  
20 coverage under this section indicate in writing on a form provided by the administrator  
21 whether the person has chosen to receive optional health insurance coverage.

22 (o) The monthly group premiums for retiree major medical insurance coverage  
23 under this section are established by the administrator in accordance with  
24 AS 39.30.095. Nothing in this chapter guarantees a person who elects coverage under  
25 (a) of this section a monthly group premium rate for retiree major medical insurance  
26 coverage other than the premium in effect for the month in which the premium is due  
27 for coverage for that month.

28 (p) In this section, "health reimbursement arrangement plan" means the State  
29 of Alaska Teachers' and Public Employees' Retiree Health Reimbursement  
30 Arrangement Plan established in AS 39.30.300.

31 \* **Sec. 26.** AS 14.25.220(5) is amended to read:

1 (5) "average base salary" means,

2 **(A) for a teacher who first became a member before July 1,**  
 3 **2006,** the result obtained by dividing the sum of the member's three highest  
 4 years' base salary by three, or if a member does not have three years base  
 5 salary, then by dividing the sum of all base salaries by the number of years of  
 6 base salary; the base salary for a year in which credit is granted for disability  
 7 totaling more than one-third of a year may not be used in the computation of  
 8 the average base salary; the base salary in a school year for which the member  
 9 receives compensation for less than two-thirds of a year may not be used in the  
 10 computation of the average base salary; if compensation is received for more  
 11 than two-thirds of a year, the full base salary for that school year shall be used  
 12 in the computation of the average base salary;

13 **(B) for a teacher who first became a member after June 30,**  
 14 **2006, the result obtained by dividing the sum of the member's five highest**  
 15 **years' base salary by five, or if a member does not have five years' base**  
 16 **salary, then by dividing the sum of all base salaries by the number of**  
 17 **years of base salary; the base salary for a year in which credit is granted**  
 18 **for disability totaling more than one-third of a year may not be used in the**  
 19 **computation of the average base salary; the base salary in a school year**  
 20 **for which the member receives compensation for less than two-thirds of a**  
 21 **year may not be used in the computation of the average base salary; if**  
 22 **compensation is received for more than two-thirds of a year, the full base**  
 23 **salary for that school year shall be used in the computation of the average**  
 24 **base salary;**

25 \* Sec. 27. AS 14.25.220(6) is amended to read:

26 (6) "base salary"

27 (A) means the total remuneration payable under contract for a  
 28 full year of membership service, including addenda to the contract **and, for a**  
 29 **member who elects to participate solely in this plan under AS 14.25.040(f),**  
 30 **remuneration paid by the public employees' retirement plan employer,**  
 31 but, for a member first hired on or after July 1, 1996, does not include

1 remuneration in excess of the limitations set out in 26 U.S.C. 401(a)(17);

2 (B) has the same meaning as "compensation" under  
3 AS 39.35.680(9) when applied to a state legislator who elects membership  
4 under AS 14.25.040(b);

5 \* **Sec. 28.** AS 14.25.220(46) is amended to read:

6 (46) "vested member" or "vested teacher" means an active member  
7 who [HAS COMPLETED EITHER]

8 (A) **first became a member before July 1, 2006, and has**

9 **completed**

10 (i) 15 years of service, the last five of which have been  
11 membership service, for a member first hired before July 1, 1975;

12 (ii) [(B)] eight years of membership service;

13 (iii) [(C)] five years of membership and three years of  
14 BIA service; or

15 (iv) [(D)] 12 school years of part-time membership  
16 service or 12 school years in each of which the member earned either  
17 part-time or full-time membership service;

18 (B) **first became a member after June 30, 2006, and has**

19 **completed five years of membership service;**

20 \* **Sec. 29.** AS 14.25.220 is amended by adding a new paragraph to read:

21 (48) "first became a member after June 30, 2006" includes a member  
22 who elected under former AS 14.25.540 to participate in the defined contribution  
23 retirement plan under AS 14.25.310 - 14.25.590 and who elects to participate in the  
24 defined benefit retirement plan under AS 14.25.009 - 14.25.220.

25 \* **Sec. 30.** 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 **June 30, 2006,**  
29 **and before July 1, 2024, and who are eligible but do not elect to participate in a**  
30 **defined benefit retirement plan under AS 14.25.009 - 14.25.220 or AS 39.35.095 -**  
31 **39.35.680; and**

1                   **(2) teachers** [JULY 1, 2006, TO MEMBERS WHO ARE  
 2 EMPLOYED BY EMPLOYERS THAT DO NOT PARTICIPATE IN THE  
 3 DEFINED BENEFIT RETIREMENT PLAN ESTABLISHED UNDER AS 14.25.009  
 4 - 14.25.220, TO FORMER MEMBERS UNDER AS 14.25.220, OR TO MEMBERS]  
 5 who **transferred** [TRANSFER] into the defined contribution retirement plan under  
 6 **former AS 14.25.540 and do not elect to participate in the defined benefit**  
 7 **retirement plan under AS 14.25.009 - 14.25.220.**

8 \* **Sec. 31.** AS 14.25.310 is amended by adding a new subsection to read:

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

11 \* **Sec. 32.** AS 14.25.330(a) is amended to read:

12                   (a) A teacher who first becomes a member [ON OR] after **June 30, 2006, and**  
 13 **before July 1, 2024, and who does not participate in a defined benefit retirement**  
 14 **plan under AS 14.25.009 - 14.25.220 or AS 39.35.095 - 39.35.680 is** [JULY 1, 2006,  
 15 SHALL PARTICIPATE IN THE PLAN AS] a member of the defined contribution  
 16 retirement plan.

17 \* **Sec. 33.** AS 14.25.490(a) is amended to read:

18                   (a) **Subject to art. XII, sec. 7, Constitution of the State of Alaska, the**  
 19 [THE] state **may** [HAS THE RIGHT TO] amend the plan at any time and from time to  
 20 time, in whole or in part, including the right to make retroactive amendments referred  
 21 to in 26 U.S.C. 401(b).

22 \* **Sec. 34.** AS 14.25.490(b) is amended to read:

23                   (b) The plan administrator may not modify or amend the plan retroactively [IN  
 24 SUCH A MANNER AS] to reduce [THE] benefits **accrued by a** [OF ANY] member  
 25 [ACCRUED TO DATE UNDER THE PLAN BY REASON OF CONTRIBUTIONS  
 26 MADE] before the modification or amendment except to the extent that the reduction  
 27 is permitted by **art. XII, sec. 7, Constitution of the State of Alaska, and** the Internal  
 28 Revenue Code.

29 \* **Sec. 35.** AS 14.25.490(c) is amended to read:

30                   (c) **Subject to art. XII, sec. 7, Constitution of the State of Alaska, and the**  
 31 **Internal Revenue Code, the** [THE] state may [, IN ITS DISCRETION,] terminate the

1 plan in whole or part [AT ANY TIME] without liability for the termination. If the plan  
 2 is terminated, all investments **at the time of termination** remain in force until all  
 3 individual accounts have been completely distributed under the plan. **After** [, AND,  
 4 AFTER] all plan liabilities are satisfied, excess assets **of the plan** revert to the  
 5 employer.

6 \* **Sec. 36.** AS 14.25.490(d) is repealed and reenacted to read:

7 (d) Within one year after determining that a contribution to the plan by an  
 8 employer was the result of a mistake of fact, the administrator shall return the  
 9 contribution to the employer.

10 \* **Sec. 37.** AS 37.10.220(a) is amended to read:

11 (a) The board shall

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

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

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

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

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

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

28 (B) AS 39.30.150 - 39.30.180 (State of Alaska Supplementary  
 29 Annuity Plan);

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

1 (D) AS 39.45.010 - 39.45.060 (public employees' deferred  
2 compensation program);

3 (6) establish the rate of interest that shall be annually credited to each  
4 member's individual contribution account in accordance with AS 14.25.145 and  
5 AS 39.35.100 and the rate of interest that shall be annually credited to each member's  
6 account in the health reimbursement arrangement plan under AS 39.30.300 -  
7 39.30.495; the rate of interest shall be adopted on the basis of the probable effective  
8 rate of interest on a long-term basis, and the rate may be changed from time to time;

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

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

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

15 (B) an appropriate contribution rate for liquidating any past  
16 service liability; in this subparagraph, the appropriate contribution rate for  
17 liquidating the past service liability of the defined benefit retirement plan under  
18 AS 14.25.009 - 14.25.220 or the past service liability of the defined benefit  
19 retirement plan under AS 39.35.095 - 39.35.680 must be determined by a level  
20 percent of pay method based on amortization of the past service liability for a  
21 closed term of 25 years;

22 **(C) an appropriate monthly employer contribution rate**  
23 **under AS 14.25.070 and AS 39.35.255; and**

24 **(D) appropriate adjustments, if any, under AS 14.25.050(e)**  
25 **and AS 39.35.160(e);**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24 (16) administer pension forfeitures required under AS 37.10.310 using  
25 the procedures of AS 44.62 (Administrative Procedure Act);

26 **(17) establish one or more sub-trusts of the pension fund to hold**  
27 **employer contributions, employee contributions, assets, and earnings attributable**  
28 **to members of the defined benefit retirement plan under AS 14.25.009 - 14.25.220**  
29 **or the defined benefit retirement plan under AS 39.35.095 - 39.35.680 who first**  
30 **became members of the respective plan after June 30, 2006; and**

31 **(18) account for and track employer contributions, employee**

1 contributions, assets, and earnings in each trust fund or sub-trust attributable to  
 2 members who first became members after June 30, 2006, of the defined benefit  
 3 retirement plan under AS 14.25.009 - 14.25.220 and members who first became  
 4 members after June 30, 2006, of the defined benefit retirement plan under  
 5 AS 39.35.095 - 39.35.680; employer contributions that exceed those assigned to  
 6 members who first became members after June 30, 2006, of the defined benefit  
 7 retirement plan under AS 14.25.009 - 14.25.220 and members who first became  
 8 members after June 30, 2006, of the defined benefit retirement plan under  
 9 AS 39.35.095 - 39.35.680 shall be transferred or retained in trusts or sub-trusts  
 10 with liability allocated toward employer normal costs for members who became  
 11 members of the respective defined benefit retirement plan before July 1, 2024,  
 12 past service costs, the State of Alaska Teachers' and Public Employees' Retiree  
 13 Health Reimbursement Arrangement Plan under AS 39.30.300 - 39.30.495, and  
 14 employer contributions under AS 14.25.350 and AS 39.35.750.

15 \* **Sec. 38.** AS 37.10.220(b) is amended to read:

16 (b) The board may

- 17 (1) employ outside investment advisors to review investment policies;
- 18 (2) enter into an agreement with the fiduciary of another state fund in  
 19 order to assume the management and investment of those assets;
- 20 (3) contract for other services necessary to execute the board's powers  
 21 and duties;
- 22 (4) enter into confidentiality agreements that would exempt records  
 23 from AS 40.25.110 and 40.25.120 if the records contain information that could affect  
 24 the value of investment by the board or that could impair the ability of the board to  
 25 acquire, maintain, or dispose of investments;
- 26 (5) adjust the amount of the increase in benefits payable to a  
 27 member who first became a member after June 30, 2006, as provided under  
 28 AS 14.25.143 and AS 39.35.475;
- 29 (6) adjust contribution rates under AS 14.25.050(e) and  
 30 AS 39.35.160(e).

31 \* **Sec. 39.** AS 39.30.090(a) is amended to read:

1 (a) The Department of Administration may obtain a policy or policies of group  
2 insurance covering state employees, persons entitled to coverage under AS 14.25.168,  
3 14.25.171, 14.25.480, AS 22.25.090, AS 39.35.535, 39.35.537, 39.35.880, or former  
4 AS 39.37.145, employees of other participating governmental units, or persons  
5 entitled to coverage under AS 23.15.136, subject to the following conditions:

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

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

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

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

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

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

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

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

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

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

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

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

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

1 shall be the same as that available before reaching age 65 except that the benefits  
 2 payable shall be supplemental to any benefits provided under the federal old age,  
 3 survivors, and disability insurance program; a person electing to have insurance under  
 4 this paragraph shall pay the cost of the insurance; the commissioner of administration  
 5 shall adopt regulations implementing this paragraph;

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

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

14 \* **Sec. 40.** AS 39.30.097(b) is amended to read:

15 (b) The commissioner of administration is authorized to prefund medical  
 16 benefits provided by AS 14.25.171, 14.25.480 [AS 14.25.480], AS 39.30.300,  
 17 AS 39.35.537, and 39.35.880 [AS 39.35.880] by establishing an irrevocable trust that  
 18 is exempt from federal income tax under 26 U.S.C. 115 and subject to the applicable  
 19 financial reporting, disclosure, and actuarial requirements of the Governmental  
 20 Accounting Standards Board.

21 \* **Sec. 41.** AS 39.30.300 is amended to read:

22 **Sec. 39.30.300. State of Alaska Teachers' and Public Employees' Retiree**  
 23 **Health Reimbursement Arrangement Plan established.** The State of Alaska  
 24 Teachers' and Public Employees' Retiree Health Reimbursement Arrangement Plan is  
 25 established for

26 **(1)** teachers who first become members of the [DEFINED  
 27 CONTRIBUTION PLAN OF THE] teachers' retirement system under AS 14.25.009 -  
 28 14.25.590 [AS 14.25.310 - 14.25.590 ON OR] after June 30, 2006 [JULY 1, 2006],  
 29 and teachers who elected under former AS 14.25.540 to participate in the plan  
 30 under AS 14.25.310 - 14.25.590; and

31 **(2)** employees of the state, political subdivisions of the state, and

1 public 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 **June 30, 2006, and employees of the state,**  
 5 **political subdivisions of the state, and public organizations of the state who**  
 6 **elected under former AS 39.35.940 to participate in the plan established under**  
 7 **AS 39.35.700 - 39.35.990** [JULY 1, 2006].

8 \* **Sec. 42.** AS 39.30.380 is amended to read:

9 **Sec. 39.30.380. Termination of employment.** A person who terminates  
 10 employment before meeting the eligibility requirements of **AS 14.25.171, 14.25.470,**  
 11 **AS 39.35.537, or 39.35.870** [AS 14.25.470 OR AS 39.35.870] loses any right to the  
 12 contributions made on behalf of the person to the teachers' and public employees'  
 13 retiree health reimbursement arrangement trust fund. If a person returns to  
 14 employment with a participating employer by December 31 of the year in which the  
 15 person reaches 65 years of age, the person's account balance shall be restored in the  
 16 amount recorded on the date of termination from the trust, adjusted for inflation at the  
 17 rate of the Consumer Price Index for Anchorage, Alaska. The earlier period of  
 18 employment with a participating employer shall be credited toward eligibility for  
 19 medical benefits.

20 \* **Sec. 43.** AS 39.30.390 is amended to read:

21 **Sec. 39.30.390. Eligibility and reimbursement.** Persons who meet the  
 22 eligibility requirements of **AS 14.25.171, 14.25.470, AS 39.35.537, or 39.35.870**  
 23 [AS 14.25.470 AND AS 39.35.870] are eligible for reimbursements from the  
 24 individual account established for a member under the plan, except members do not  
 25 have to retire directly from the system. A person who is the dependent child of an  
 26 eligible member is eligible for reimbursements if the eligible member and surviving  
 27 spouse have both died so long as the person meets the definition of dependent child.

28 \* **Sec. 44.** AS 39.30.400(a) is amended to read:

29 (a) The administrator may deduct the cost of monthly premiums from the  
 30 individual account for retiree major medical insurance on behalf of an eligible person  
 31 who elected retiree major medical insurance under **AS 14.25.171, 14.25.480,**

1 **AS 39.35.537, or 39.35.880** [AS 14.25.480 OR AS 39.35.880].

2 \* **Sec. 45.** AS 39.30.420(a) is amended to read:

3 (a) **Subject to art. XII, sec. 7, Constitution of the State of Alaska, the**  
 4 [THE] state **may** [HAS THE RIGHT TO] amend the plan at any time and from time to  
 5 time, in whole or in part, including the right to make retroactive amendments referred  
 6 to in 26 U.S.C. 401(b).

7 \* **Sec. 46.** AS 39.30.420(b) is amended to read:

8 (b) The plan administrator may not modify or amend the plan retroactively [IN  
 9 SUCH A MANNER AS] to reduce [THE] benefits **accrued by a** [OF ANY] member  
 10 [ACCRUED TO DATE UNDER THE PLAN BY REASON OF CONTRIBUTIONS  
 11 MADE] before the modification or amendment except to the extent that the reduction  
 12 is permitted by **art. XII, sec. 7, Constitution of the State of Alaska, and** the Internal  
 13 Revenue Code.

14 \* **Sec. 47.** AS 39.30.420(c) is amended to read:

15 (c) **Subject to art. XII, sec. 7, Constitution of the State of Alaska, and the**  
 16 **Internal Revenue Code, the** [THE] state may [, IN ITS DISCRETION,] terminate the  
 17 plan in whole or part [AT ANY TIME] without liability for the termination. If the plan  
 18 is terminated, all investments **at the time of termination** remain in force until all  
 19 individual accounts have been completely distributed under the plan. **After** [, AND,  
 20 AFTER] all plan liabilities are satisfied, excess assets **of the plan** revert to the  
 21 employer.

22 \* **Sec. 48.** AS 39.30.420(d) is repealed and reenacted to read:

23 (d) Within one year after determining that a contribution to the plan by an  
 24 employer was the result of a mistake of fact, the administrator shall return the  
 25 contribution to the employer.

26 \* **Sec. 49.** AS 39.30.495(5) is amended to read:

27 (5) "eligible person" means a person who meets the eligibility  
 28 requirements of **AS 14.25.171, 14.25.470, AS 39.35.537, or 39.35.870** [AS 14.25.470  
 29 OR AS 39.35.870];

30 \* **Sec. 50.** AS 39.30.495(6) is amended to read:

31 (6) "employer" has the meaning given in **AS 14.25.220 for employers**

1 **of teachers in the defined benefit retirement plan established in AS 14.25.009 -**  
 2 **14.25.220, has the meaning given in** AS 14.25.590 for employers of teachers in the  
 3 defined contribution plan established in AS 14.25.310 - 14.25.590, **has the meaning**  
 4 **given in AS 39.35.680 for employers of public employees in the defined benefit**  
 5 **retirement plan established in AS 39.35.095 - 39.35.680,** and has the meaning given  
 6 in AS 39.35.990 for employers of public employees in the defined contribution plan  
 7 established in AS 39.35.700 - 39.35.990;

8 \* **Sec. 51.** AS 39.30.495(9) is amended to read:

9 (9) "member" means a member of the **State of Alaska Teachers' and**  
 10 **Public Employees' Retiree Health Reimbursement Arrangement Plan established**  
 11 **in AS 39.30.300 - 39.30.495** [DEFINED CONTRIBUTION PLAN OF THE  
 12 TEACHERS' RETIREMENT SYSTEM IN AS 14.25.310 - 14.25.590 OR A  
 13 MEMBER OF THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM IN  
 14 AS 39.35.700 - 39.35.990];

15 \* **Sec. 52.** AS 39.35.095 is amended to read:

16 **Sec. 39.35.095. Applicability of AS 39.35.095 - 39.35.680.** The  
 17 [FOLLOWING] provisions of **AS 39.35.095 - 39.35.680** [THIS CHAPTER] apply  
 18 only to members first hired

19 (1) before July 1, 2006, **who have not elected under former**  
 20 **AS 39.35.940 to participate in the defined contribution retirement plan under**  
 21 **AS 39.35.700 - 39.35.990;**

22 (2) **after June 30, 2006, and before July 1, 2024, who are former**  
 23 **members of the defined contribution retirement plan under AS 39.35.700 -**  
 24 **39.35.990; or**

25 (3) **on or after July 1, 2024** [: AS 39.35.095 - 39.35.680].

26 \* **Sec. 53.** AS 39.35.095 is amended by adding a new subsection to read:

27 (b) An employee who became a member after June 30, 2006, and before  
 28 July 1, 2024, is subject to AS 39.35.095 - 39.35.680 if the employee

29 (1) is not employed by an employer on July 1, 2024;

30 (2) is reemployed by an employer after July 1, 2024; and

31 (3) has, before the date of reemployment, received

1 (A) a distribution, other than a rollover distribution, of the  
 2 entire balance in the member's individual account in the defined contribution  
 3 retirement plan; or

4 (B) a rollover distribution of the entire balance in the member's  
 5 individual account in the defined contribution retirement plan and has not  
 6 within 120 days of reemployment had all or part of a direct rollover  
 7 distribution from an eligible retirement plan owned by the member paid  
 8 directly into the member's individual account.

9 \* **Sec. 54.** AS 39.35.100(b) is amended to read:

10 (b) An individual account shall be maintained for each employee to record the  
 11 amount of the employee's mandatory contributions collected under AS 39.35.160  
 12 [AS 39.35.160(a)]. As of the last day of each calendar year and of each fiscal year, this  
 13 account shall be credited with interest by applying the prescribed rate of interest, as  
 14 determined by the board, to the balance in the account as of that date. When the  
 15 employee is appointed to retirement, the amount held in the individual account shall  
 16 be used first to fully finance the benefits paid. Once this account has been exhausted,  
 17 the plan shall fully finance the benefits paid that were not financed by the employee's  
 18 individual account.

19 \* **Sec. 55.** AS 39.35 is amended by adding a new section to article 3 to read:

20 **Sec. 39.35.159. Election of defined benefit retirement plan by reemployed**  
 21 **employees.** (a) An employee may make a one-time election to participate in the plan  
 22 under AS 39.35.095 - 39.35.680 if the employee

23 (1) was first hired after June 30, 2006, and before July 1, 2024;

24 (2) is not employed by an employer on July 1, 2024;

25 (3) is reemployed by an employer after July 1, 2024; and

26 (4) before the date of reemployment,

27 (A) has not received a distribution of the entire balance in the  
 28 employee's individual account under the defined contribution retirement plan  
 29 established in AS 39.35.700 - 39.35.990; or

30 (B) has received a rollover distribution of the entire balance in  
 31 the member's individual account in the defined contribution retirement plan

1 and has within 120 days of reemployment had all or part of a direct rollover  
2 distribution from an eligible retirement plan owned by the member paid  
3 directly into the member's individual account.

4 (b) An election under (a) of this section may be made not more than 120 days  
5 after the date of reemployment. A reemployed employee electing to participate under  
6 (a) of this section shall use the balance of the employee's individual account in the  
7 plan under AS 39.35.700 - 39.35.990, including any rollover contributions, to  
8 purchase credited service in the plan under AS 39.35.095 - 39.35.680. An election  
9 made under (a) of this section must be made in writing in the manner prescribed by the  
10 administrator. An election made by an employee who is married is not effective unless  
11 the election is signed by the employee's spouse. The administrator shall provide an  
12 employee who is eligible to make an election under (a) of this section with  
13 information about the potential consequences of the employee's election, including  
14 calculations to illustrate the effect of moving the employee's retirement plan from a  
15 defined contribution retirement plan to a defined benefit retirement plan.

16 (c) An election made under (a) of this section to participate in the plan under  
17 AS 39.35.095 - 39.35.680 is irrevocable. On the effective date of the election, an  
18 eligible employee shall be enrolled as a member of the plan, and the employee's  
19 participation in the plan shall be governed by the applicable provisions of the plan.  
20 The employee's enrollment in the plan is retroactive to the date of hire.

21 (d) When an eligible employee makes an election under this section, the  
22 administrator shall cause the total amount of the employee's employee and employer  
23 contributions to the plan under AS 39.35.700 - 39.35.990, with investment earnings  
24 and losses through the day of the employee's election to participate as a member in the  
25 plan under AS 39.35.095 - 39.35.680, to be actuarially calculated and, subject to (f) of  
26 this section, transferred to the pension fund in the plan under AS 39.35.095 -  
27 39.35.680. On the effective date of the employee's participation in the plan under  
28 AS 39.35.095 - 39.35.680, the employee shall be credited with service in the plan. The  
29 board shall determine the cost of the employee's actual service time based on the  
30 employee's accrued actuarial liability of pension benefits in the plan, and credit the  
31 employee with service time equal to the value actuarially calculated and transferred to

1 the pension fund in the plan under AS 39.35.095 - 39.35.680. The board shall adopt  
2 regulations establishing transfer procedures. The transfer may not occur later than 60  
3 days after the date the administrator receives the employee's election, unless the major  
4 financial markets for securities available for a transfer are seriously disrupted by an  
5 unforeseen event that also causes the suspension of trading on any national securities  
6 exchange in the country where the securities were issued. In that event, the 60-day  
7 period may be extended by a resolution of the board. A transfer is not commissionable  
8 or subject to other fees and may be in the form of cash or a security as determined by  
9 the board. A security shall be valued on the date of receipt in the employee's account.

10 (e) When making a transfer under (d) of this section, or for a reemployed  
11 employee entering the plan under AS 39.35.095(b), the administrator shall transfer an  
12 amount equal to the decrease in the accrued actuarial liability of the death and  
13 disability trust in the plan under AS 39.35.700 - 39.35.990 resulting from the transfer  
14 as of the date of transfer, based on the most recent actuarial valuation of the death and  
15 disability trust, from the death and disability trust in the plan under AS 39.35.700 -  
16 39.35.990 to the pension fund in the plan under AS 39.35.095 - 39.35.680.

17 (f) If the value actuarially calculated under (d) of this section is insufficient to  
18 pay for service credit equal to the employee's actual service, the administrator shall  
19 allow the employee the option of purchasing service credit in an amount up to the  
20 amount needed to eliminate the insufficiency; however, if that value exceeds the  
21 amount needed to pay for service credit equal to the employee's actual service, the  
22 administrator shall cause the excess to remain in the employee's individual account in  
23 the plan under AS 39.35.700 - 39.35.990. The excess may not be used to purchase  
24 additional service credit in the plan under AS 39.35.095 - 39.35.680. When a  
25 reemployed employee enters the plan under AS 39.35.095(b), the administrator shall  
26 allow the employee to pay for a period of service credit up to the employee's actual  
27 service. When an employee elects to purchase service credit under this section and  
28 does not immediately pay for the service credit purchased, an indebtedness is  
29 established. Interest as prescribed by regulation accrues on an employee's  
30 indebtedness. Indebtedness that exists at the time the employee is appointed to  
31 retirement necessitates an actuarial adjustment to the benefits payable due to service in

1 the defined contribution retirement plan.

2 (g) Actuarial assumptions about the plan under AS 39.35.095 - 39.35.680  
3 must be based on the most recent actuarial valuation of the plan, except that the  
4 retirement rates are computed at 25 percent of the retirement rates used in the most  
5 recent actuarial valuation of the pension fund for the plan plus 75 percent of the  
6 retirement rates used in the most recent actuarial valuation of the plan under  
7 AS 39.35.700 - 39.35.990.

8 (h) The provisions of this section are subject to the requirements of the  
9 Internal Revenue Code and the limitations under AS 39.35.115, 39.35.678,  
10 39.35.710(c) and (d), and 39.35.895. In this subsection, "Internal Revenue Code" has  
11 the meaning given in AS 39.35.990.

12 \* **Sec. 56.** 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, **and, except** [.   
16 EXCEPT] as provided in **(d) - (e)** [(d)] of this section, beginning January 1, 1987,  
17 each other employee shall contribute to the plan an amount equal to six and three-  
18 quarters percent of the employee's compensation. [THE CONTRIBUTIONS SHALL  
19 BE DEDUCTED BY THE EMPLOYER AT THE END OF EACH PAYROLL  
20 PERIOD. THE 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. 57.** AS 39.35.160 is amended by adding new subsections to read:

27 (e) An employee who first participates in the plan after June 30, 2006, shall  
28 contribute to the plan an amount equal to eight percent of the employee's  
29 compensation. The board may, from time to time, adjust the employee contribution  
30 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 (g) The board may increase the employee contribution rate under (e) of this  
11 section if the board determines that the portion of the liability of the plan that is  
12 attributable to employees who first participate in the plan after June 30, 2006, is  
13 funded below 90 percent. Before increasing the member contribution rate under (e) of  
14 this section, the board shall determine an amount sufficient to address the plan's past  
15 service liability attributable to all members who first became members of the plan  
16 after June 30, 2006. An increase to the employee contribution rate may raise not more  
17 than 50 percent of the amount sufficient to address the plan's past service liability  
18 attributable to all members who first became members of the plan after June 30, 2006.  
19 The board may decrease the rate under (e) of this section if the board determines that  
20 the portion of the liability of the plan that is attributable to all members who first  
21 became members of the plan after June 30, 2006, is funded above 90 percent.

22 \* **Sec. 58.** AS 39.35.165(a) is amended to read:

23 (a) An employee who is eligible to purchase credited service under  
24 AS 39.35.159, 39.35.310 [AS 39.35.310], 39.35.330, 39.35.340, 39.35.342, 39.35.345,  
25 39.35.360, or 39.35.370, a member who is eligible to purchase credited service under  
26 AS 39.35.375, or an elected public official who is eligible to purchase credited service  
27 under AS 39.35.381 is an employee for purposes of this section. An employee may, in  
28 lieu of making payments directly to the plan, elect to have the employee's employer  
29 make payments as provided in this section.

30 \* **Sec. 59.** AS 39.35.165(b) is amended to read:

31 (b) An employee may elect to have the employer make payments for all or any

1 portion of the amounts payable for the employee's purchase of credited service  
2 through a salary reduction program as follows:

3 (1) the amounts paid under a salary reduction program are in lieu of  
4 contributions by the employee making the election; the electing employee's salary or  
5 other compensation shall be reduced by the amount paid by the employer under this  
6 subsection;

7 (2) the employee shall make an irrevocable election under this section  
8 to purchase credited service as permitted in AS 39.35.159, 39.35.310 [AS 39.35.310],  
9 39.35.330, 39.35.340, 39.35.342, 39.35.345, 39.35.360, 39.35.370, 39.35.375, or  
10 39.35.381 and before the employee's termination of employment; the irrevocable  
11 election must specify the number of payroll periods that deductions will be made from  
12 the employee's compensation and the dollar amount of deductions for each payroll  
13 period during the specified number of payroll periods; the deductions made under this  
14 paragraph cease upon the earlier of the member's termination of employment with the  
15 employer or the member's death; amounts paid by an employer under (f) of this  
16 section may not be applied toward the payment of the dollar amount of the deductions  
17 representing the portion of the credited service that is being purchased by the member  
18 through payroll deduction in accordance with the member's irrevocable election under  
19 this subsection;

20 (3) amounts paid by an employer under this subsection shall be treated  
21 as employer contributions for the purpose of determining tax treatment under the  
22 Internal Revenue Code; the amounts paid by the employer under this section may not  
23 be included in the member's gross income for income tax purposes until those amounts  
24 are distributed by refund or retirement benefit payments.

25 \* **Sec. 60.** AS 39.35.165(g) is amended to read:

26 (g) Payments made under this section shall be applied to reduce the  
27 employee's outstanding indebtedness described in AS 39.35.159, 39.35.310  
28 [AS 39.35.310], 39.35.330, 39.35.340, 39.35.342, 39.35.345, 39.35.360, 39.35.370,  
29 39.35.375, or 39.35.381 at the time that the contributions are received by the plan.

30 \* **Sec. 61.** AS 39.35.165(i) is amended to read:

31 (i) On satisfaction of the eligibility requirements of AS 39.35.159, 39.35.310

1 [AS 39.35.310], 39.35.330, 39.35.340, 39.35.341, 39.35.345, 39.35.360, 39.35.370,  
 2 39.35.375, or 39.35.381, the requirements of this section, and the administrative filing  
 3 requirements specified by the commissioner, the plan shall adjust the employee's  
 4 credited service history and add any additional service credits acquired.

5 \* **Sec. 62.** AS 39.35.255(a) is amended to read:

6 (a) Each employer, except as provided in (h) of this section, shall contribute to  
 7 the system every payroll period **the lesser of**

8 **(1)** an amount calculated by applying a rate of 22 percent of the greater  
 9 of the total of all base salaries

10 **(A)** [(1)] paid by the employer to employees who are active  
 11 members of the system, including any adjustments to contributions required by  
 12 AS 39.35.520; or

13 **(B)** [(2)] paid by the employer to employees who were active  
 14 members of the system during the corresponding payroll period for the fiscal  
 15 year ending

16 **(i)** [(A)] June 30, 2008; or

17 **(ii)** [(B)] June 30, 2012, if that total is less than the total  
 18 under **(i) of this subparagraph** [(A) OF THIS PARAGRAPH], and the  
 19 employer is a municipality in which the population decreased by more  
 20 than 25 percent between 2000 and 2010, according to the decennial  
 21 census conducted by the United States Bureau of the Census; **or**

22 **(2)** **an amount calculated by applying a rate established by the**  
 23 **board under AS 37.10.220 to the total of all base salaries paid by the employer to**  
 24 **active members of the system; the rate must be at least 12 percent and be**  
 25 **sufficient to pay the actuarially determined employer normal cost, all**  
 26 **contributions required under AS 39.30.370 and AS 39.35.750, and past service**  
 27 **cost for members of the system.**

28 \* **Sec. 63.** AS 39.35.255 is amended by adding a new subsection to read:

29 (j) If the legislature appropriates funds for the purpose of decreasing an  
 30 employer's contribution, the employer's contribution under (a) of this section shall  
 31 decrease by that amount.

1 \* **Sec. 64.** AS 39.35 is amended by adding a new section to read:

2           **Sec. 39.35.281. Contributions for employee who first became a member**  
 3 **after June 30, 2006.** Contributions made by an employer under AS 39.35.255 and  
 4 39.35.280 for an employee who first became a member after June 30, 2006, other than  
 5 contributions separately computed for medical benefits under AS 14.25.087, and the  
 6 employee's contribution account must be deposited in a sub-trust of the pension fund  
 7 established by the board.

8 \* **Sec. 65.** AS 39.35.282 is amended to read:

9           **Sec. 39.35.282. Contributions for medical benefits.** Contributions made by  
 10 an employer under AS 39.35.255 and 39.35.280 **must** [SHALL] be separately  
 11 computed for benefits provided by AS 39.35.535, **39.35.537, and AS 39.30.400. The**  
 12 **contributions computed for benefits provided under**

13                   **(1) AS 39.35.535 must** [AND SHALL] be deposited in the Alaska  
 14 retiree health care trust established under AS 39.30.097(a);

15                   **(2) AS 39.35.537 must be deposited in the Alaska retiree health**  
 16 **care trust established under AS 39.30.097(b); and**

17                   **(3) AS 39.30.400 must be deposited in the teachers' and public**  
 18 **employees' retiree health reimbursement arrangement plan trust fund**  
 19 **established under AS 39.30.340.**

20 \* **Sec. 66.** AS 39.35.340(i) is amended to read:

21           (i) Notwithstanding (d) of this section, a member who retires as a peace officer  
 22 or firefighter may elect to use five or fewer years of credited service granted under this  
 23 section in computing years of credited service under AS 39.35.535(c) **or 39.35.537.**  
 24 When eligibility for credited service for military service has been established and an  
 25 election under this subsection has been made, an indebtedness in addition to the  
 26 indebtedness determined under (b) of this section shall be determined for each year of  
 27 military service used under this subsection, in an amount based on the increase, if any,  
 28 in the present value of future benefits for that year as determined by the department.

29 \* **Sec. 67.** AS 39.35.345(d) is amended to read:

30           (d) An employee may choose whether the credited service granted under this  
 31 section is used to satisfy the credited service requirements for normal retirement under

1 AS 39.35.370(a)(1)(B) or (C), 39.35.370(a)(2)(B), (C), or (D), [AS 39.35.370(a)(2)  
 2 OR (3)] or 39.35.385(f) or is only used for the calculation of benefits. An election  
 3 under this subsection is irrevocable and applies to all temporary credited service that  
 4 the employee has accrued when the employee retires. An election under this  
 5 subsection does not change the date that an employee is considered to have  
 6 commenced participation in the plan under AS 39.35.120.

7 \* **Sec. 68.** AS 39.35.370(a) is amended to read:

8 (a) Subject to AS 39.35.450, a terminated employee

9 (1) who first became a member before July 1, 2006, is eligible for a  
 10 normal retirement benefit

11 (A) [(1)] at age 60 with at least five years of credited service;

12 (B) [(2)] with at least 20 years of credited service as a peace  
 13 officer or firefighter; or

14 (C) [(3)] with at least 30 years of credited service;

15 (2) who first became a member after June 30, 2006, is eligible for a  
 16 normal retirement benefit

17 (A) at age 60 with at least five years of credited service;

18 (B) at age 55 with at least 20 years of credited service as a  
 19 peace officer or firefighter;

20 (C) at age 50 with at least 25 years of credited service as a  
 21 peace officer or firefighter; or

22 (D) with at least 30 years of credited service [FOR ALL  
 23 OTHER EMPLOYEES].

24 \* **Sec. 69.** AS 39.35.381(e) is amended to read:

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

29 \* **Sec. 70.** AS 39.35.475(b) is amended to read:

30 (b) Subject to (g) and (h) of this section, the [THE] increase in benefit  
 31 payments applies to total benefit payments except for the cost-of-living allowance

1 under AS 39.35.480. The amount of the increase is a percentage of the current benefit  
2 equal to

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

6 (2) the lesser of 50 percent of the increase in the cost of living in the  
7 preceding calendar year or six percent, for recipients who on July 1 are at least 60 but  
8 less than 65 years old or for recipients who are less than 60 years old on July 1 but  
9 who have received benefits from the plan for at least five years.

10 \* **Sec. 71.** AS 39.35.475 is amended by adding new subsections to read:

11 (g) Subject to (h) of this section, the amount of an increase for members who  
12 first became members of the plan after June 30, 2006, and do not meet the eligibility  
13 requirements for a permanent fund dividend in effect on July 1, 2024, under  
14 AS 43.23.005(a) is equal to one-half of the applicable percentage under (b) of this  
15 section.

16 (h) If the board determines that the portion of the liability of the plan that is  
17 attributable to all members who first became members of the plan after June 30, 2006,  
18 is funded below 90 percent, the board may reduce the amount of the increase  
19 determined under (b) or (g) of this section that is payable to a member who first  
20 became a member after June 30, 2006. At any time, the board may terminate a  
21 reduction made under this subsection.

22 \* **Sec. 72.** AS 39.35.480(a) is amended to read:

23 (a) While residing in the state, a person **who first became a member of the**  
24 **plan before July 1, 2006, who is** receiving a benefit under AS 39.35.095 - 39.35.680,  
25 **and** who is 65 years of age or older or **a person who first became a member of the**  
26 **plan before July 1, 2006, and** who is receiving a disability benefit is entitled to  
27 receive a monthly cost-of-living allowance in addition to the basic benefit. The  
28 amount of this allowance shall be \$50 or 10 percent of the basic benefit, whichever is  
29 greater.

30 \* **Sec. 73.** AS 39.35.535(a) is amended to read:

31 (a) Except as provided in (d) **and (g)** of this section, the following persons are

1 entitled to major medical insurance coverage under this section:

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

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

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

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

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

11 (2) for members first hired [ON OR] after **June 30** [JULY 1], 1986,

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

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

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

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

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

23 \* **Sec. 74.** AS 39.35.535(c) is amended to read:

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

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

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

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

1 AS 39.35.360 and 39.35.370; or

2 (ii) 30 years of credited service under AS 39.35.360 and  
3 39.35.370 that is not service as a peace officer; or

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

5 (2) a person is not required to make premium payments for retiree  
6 major medical coverage if the person

7 (A) is a disabled member;

8 (B) is a disabled member who is appointed to normal  
9 retirement;

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

12 (D) has at least

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

15 (ii) 30 years of credited service under AS 39.35.360 and  
16 39.35.370 not as a peace officer.

17 \* **Sec. 75.** AS 39.35.535 is amended by adding a new subsection to read:

18 (g) A benefit recipient who first became a member after June 30, 2006, or a  
19 surviving spouse who is eligible under AS 39.35.537(b), is not eligible for benefits  
20 under this section but may elect medical benefits under AS 39.35.537.

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

22 **Sec. 39.35.537. Medical benefit; eligibility of employees first hired after**  
23 **June 30, 2006; surviving spouses and dependents.** (a) An employee who first  
24 became a member of the plan after June 30, 2006, receives a monthly benefit from the  
25 plan, retired directly from the plan, and has elected benefits under this section is  
26 entitled to medical benefits under this section. A member who applies for medical  
27 benefits under this section shall apply on the forms and in the manner prescribed by  
28 the administrator. A member is eligible to retire from the plan if the member has been  
29 an active member for at least 12 months before application for retirement and the  
30 member

31 (1) is at least

1 (A) 50 years of age and has at least 25 years of membership  
2 service as a peace officer or firefighter;

3 (B) 55 years of age and has at least 20 years of membership  
4 service as a peace officer or firefighter;

5 (2) has at least 30 years of membership; or

6 (3) reaches the age set for Medicare eligibility and has at least 10 years  
7 of membership service.

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

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

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

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

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

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

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

31 (i) Major medical insurance coverage takes effect on the first day of the month

1 following the date of the administrator's approval of the election and stops when the  
2 person who elects coverage dies or fails to make a required premium payment.

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

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

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

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

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

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

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

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

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

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

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

31 (n) The administrator shall

1 (1) inform a person entitled to retiree major medical insurance  
2 coverage under this section in writing

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

6 (B) of time limits for selecting optional health insurance  
7 coverage; and

8 (C) whether the election is irrevocable; and

9 (2) require that a person entitled to retiree major medical insurance  
10 coverage under this section indicate in writing on a form provided by the administrator  
11 whether the person has chosen to receive optional health insurance coverage.

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

18 (p) In this section, "health reimbursement arrangement plan" means the State  
19 of Alaska Teachers' and Public Employees' Retiree Health Reimbursement  
20 Arrangement Plan established in AS 39.30.300.

21 \* **Sec. 77.** AS 39.35.610(a) is amended to read:

22 (a) The contributions of an employer and the contributions of its employees  
23 shall be transmitted to the administrator as soon as practicable after the close of the  
24 payroll period for which the contributions are made. Subject to (c) of this section, if an  
25 employer is delinquent in transferring the contributions for more than 15 days, interest  
26 shall be assessed on the outstanding contributions at [ONE AND ONE-HALF TIMES]  
27 the most recent actuarially determined rate of earnings for the retirement plan from the  
28 date that the contributions were originally due.

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

30 (4) "average monthly compensation" means the result obtained by  
31 dividing the compensation earned by an employee during a considered period by the

1 number of months, including fractional months, for which compensation was earned;  
 2 an employee must have at least 115 days of credited service in the last payroll year in  
 3 order for that year to be used as part of the consecutive payroll years; the considered  
 4 period consists of

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

8 (B) for employees first hired [ON OR] after **June 30** [JULY 1],  
 9 1996, the five consecutive payroll years during the period of credited service  
 10 that yield the highest average;

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

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

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

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

21 (18) "employer" means

22 (A) the State of Alaska;

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

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

30 \* **Sec. 80.** AS 39.35.680 is amended by adding a new paragraph to read:

31 (44) "first became a member after June 30, 2006," includes a member

1 who elected under former AS 39.35.940 to participate in the plan under AS 39.35.700  
 2 - 39.35.990 and who elects to participate in the defined benefit retirement plan under  
 3 AS 39.35.095 - 39.35.680.

4 \* **Sec. 81.** AS 39.35.700 is amended to read:

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

7 **(1)** members first hired [ON OR] after **June 30, 2006, and before**  
 8 **July 1, 2024, who do not participate in a defined benefit retirement plan under**  
 9 **AS 14.25.009 - 14.25.220 or AS 39.35.095 - 39.35.680; and**

10 **(2)** [JULY 1, 2006, TO] members [WHO ARE EMPLOYED BY  
 11 EMPLOYERS THAT DO NOT PARTICIPATE IN THE DEFINED BENEFIT  
 12 RETIREMENT PLAN ESTABLISHED UNDER AS 39.35.095 - 39.35.680, TO  
 13 FORMER MEMBERS AS DEFINED IN AS 39.35.680, OR TO MEMBERS] who  
 14 **transferred** [TRANSFER] into the defined contribution retirement plan under **former**  
 15 **AS 39.35.940 and do not elect to participate in the defined benefit retirement plan**  
 16 **under AS 39.35.095 - 39.35.680.**

17 \* **Sec. 82.** AS 39.35.700 is amended by adding a new subsection to read:

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

21 \* **Sec. 83.** AS 39.35.720 is amended to read:

22 **Sec. 39.35.720. Membership.** An employee who becomes a member [ON OR]  
 23 after **June 30, 2006, and before July 1, 2024, who does not participate in a defined**  
 24 **benefit retirement plan under AS 14.25.009 - 14.25.220 or AS 39.35.095 -**  
 25 **39.35.680** [JULY 1, 2006,] shall participate in the plan set out in AS 39.35.700 -  
 26 39.35.990.

27 \* **Sec. 84.** AS 39.35.895(a) is amended to read:

28 (a) **Subject to art. XII, sec. 7, Constitution of the State of Alaska, the**  
 29 [THE] state **may** [HAS THE RIGHT TO] amend the plan at any time and from time to  
 30 time, in whole or in part, including the right to make retroactive amendments referred  
 31 to in 26 U.S.C. 401(b).

1 \* **Sec. 85.** AS 39.35.895(b) is amended to read:

2 (b) The plan administrator may not modify or amend the plan retroactively [IN  
3 SUCH A MANNER AS] to reduce [THE] benefits **accrued by a** [OF ANY] member  
4 [ACCRUED TO DATE UNDER THE PLAN BY REASON OF CONTRIBUTIONS  
5 MADE] before the modification or amendment except to the extent that the reduction  
6 is permitted by **art. XII, sec. 7, Constitution of the State of Alaska, and** the Internal  
7 Revenue Code.

8 \* **Sec. 86.** AS 39.35.895(c) is amended to read:

9 (c) **Subject to art. XII, sec. 7, Constitution of the State of Alaska, and the**  
10 **Internal Revenue Code, the** [THE] state may [, IN ITS DISCRETION,] terminate the  
11 plan in whole or part [AT ANY TIME] without liability for the termination. If the plan  
12 is terminated, all investments **at the time of termination** remain in force until all  
13 individual accounts have been completely distributed under the plan. **After** [, AND,  
14 AFTER] all plan liabilities are satisfied, excess assets **of the plan** revert to the  
15 employer.

16 \* **Sec. 87.** AS 39.35.895(d) is repealed and reenacted to read:

17 (d) Within one year after determining that a contribution to the plan by an  
18 employer was the result of a mistake of fact, the administrator shall return the  
19 contribution to the employer.

20 \* **Sec. 88.** AS 14.25.012(c), 14.25.061, 14.25.540; and AS 39.35.940 are repealed.

21 \* **Sec. 89.** The uncodified law of the State of Alaska is amended by adding a new section to  
22 read:

23 TRANSITION: RETIREMENT PLAN ELECTION. (a) A teacher who was first hired  
24 after June 30, 2006, and before July 1, 2024, and who, on July 1, 2024, is a member of the  
25 defined contribution retirement plan of the teachers' retirement system may, before  
26 November 1, 2024, make a one-time election to participate in the defined benefit retirement  
27 plan and to transfer all contributions that have been made or should be made to the defined  
28 contribution retirement plan for service the member completes before the effective date of the  
29 member's participation in the defined benefit retirement plan. The transferred contributions  
30 shall be used to purchase credited service in the defined benefit retirement plan on an actuarial  
31 equivalent basis determined by the Alaska Retirement Management Board established under

1 AS 37.10.210. The provisions of AS 14.25.044 apply to an election made under this  
2 subsection.

3 (b) An employee who was first hired after June 30, 2006, and before July 1, 2024, and  
4 who, on July 1, 2024, is a member of the defined contribution retirement plan of the public  
5 employees' retirement system may, before November 1, 2024, make a one-time election to  
6 participate in the defined benefit retirement plan under AS 39.35.095 - 39.35.680 and to  
7 transfer all contributions that have been made or should be made to the defined contribution  
8 retirement plan for service the member completes before the effective date of the member's  
9 participation in the defined benefit retirement plan. The transferred contributions shall be used  
10 to purchase credited service in the defined benefit retirement plan on an actuarial equivalent  
11 basis determined by the Alaska Retirement Management Board established under  
12 AS 37.10.210. The provisions of AS 39.35.159 apply to an election made under this  
13 subsection.

14 \* **Sec. 90.** The uncodified law of the State of Alaska is amended by adding a new section to  
15 read:

16 ADOPTION OF REGULATIONS. (a) The Alaska Retirement Management Board  
17 may adopt regulations necessary to implement secs. 37 and 38 of this Act. Regulations  
18 adopted by the Alaska Retirement Management Board under this Act relate to the internal  
19 management of a state agency and are not subject to AS 44.62 (Administrative Procedure Act)  
20 under AS 37.10.240.

21 (b) The commissioner of administration may adopt regulations necessary to  
22 implement secs. 1 - 36 and 39 - 89 of this Act. Regulations adopted by the commissioner of  
23 administration under this Act relate to the internal management of a state agency and are not  
24 subject to AS 44.62 (Administrative Procedure Act) under AS 14.25.005, AS 39.30.098, and  
25 AS 39.35.005.

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

28 \* **Sec. 91.** Section 90 of this Act takes effect immediately under AS 01.10.070(c).

29 \* **Sec. 92.** Except as provided in sec. 91 of this Act, this Act takes effect July 1, 2024.