

1 IN THE SENATE

BY SENATOR OWEN
BY REQUEST

2 SENATE BILL NO. 101

3 IN THE LEGISLATURE OF THE TERRITORY OF ALASKA

4 TWENTY-THIRD SESSION

5 A BILL

6 For an Act entitled: "An Act to create a Public Employees'
7 Retirement System; to establish a Fund to
8 provide retirement benefits for employees
9 of the territory of Alaska, and providing
10 for inclusion of municipalities on an
11 optional basis; to provide for the financ-
12 ing, maintenance and administration of the
13 Fund; defining offenses and prescribing
14 penalties; declaring an emergency and pro-
15 viding for an effective date."

16 BE IT ENACTED BY THE LEGISLATURE OF THE TERRITORY OF ALASKA:

17 Section 1. RETIREMENT SYSTEM ESTABLISHED. A joint-
18 contributory retirement system for employees of the Territory of
19 Alaska, and of municipalities therein, is hereby created and
20 established, to be known as the Alaska Retirement System.

21 Section 2. PURPOSE OF SYSTEM. The purpose of this System
22 is to provide an orderly means whereby officers and employees of
23 the Territory of Alaska, and of municipalities therein, may be
24 retired from active service, thereby stabilizing employment in the
25 public service, and effecting economy and greater efficiency.

26 Section 3. ALASKA RETIREMENT FUND CREATED. There is hereby
27 established a Fund, separate and independent of other monies in
28 the Treasury, to be known as the Alaska Retirement Fund. The Fund
29 shall consist of all contributions by employees, all matching

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1 contributions by the employer, and other appropriated funds; all
2 monies received from a participating municipality; all other con-
3 tributions from whatever source; income and interest derived from
4 the investments of monies; and any other monies from whatever
5 source derived by or incidental to the operation of the System.

6 Section 4. COMMENCEMENT OF SYSTEM. The System shall be
7 established as of April 1, 1957, and shall become operative as of
8 July 1, 1957, hereafter referred to as the effective date. Con-
9 tributions by members and the employer and payment of benefits
10 shall begin on the effective date. The period from April 1, 1957
11 through June 30, 1957 shall be designated as the period of organi-
12 zation. The effective date with respect to a municipality shall
13 be the date on which such municipality becomes a participant of
14 the System.

15 Section 5. DEFINITIONS. The words and phrases as used in
16 this Act, unless a different meaning is plainly required by the
17 context, shall have the following meanings:

18 (a) "Actuarial Tables" mean such tabular standards as
19 may be adopted by the Board.

20 (b) "Beneficiary" means any person eligible for bene-
21 fits under this Act.

22 (c) "Board" means the Alaska Retirement Board.

23 (d) "Compensation" means the salary or wages payable
24 on a regular payroll out of funds controlled by the employer,
25 including the monetary value, as determined by the Board, of sub-
26 sistence and maintenance provided by the employer, if any, to a
27 member in partial payment of services; i.e., living quarters,
28 board, lodging, fuel, laundry, and similar allowances.

29 (e) "Covered Service" means any period of service with

1 the employer, after the effective date hereof, performed by any
2 person qualifying as an employee and member hereunder.

3 (f) "Creditable Service" consists of covered service
4 plus prior service credit.

5 (g) "Department" means any department, institution,
6 board, commission, or agency of the Territorial government. For
7 purposes of this Act, the University of Alaska and the Pioneers'
8 Home are included as Departments.

9 (h) "Direct Payment" means a contribution for prior
10 service by an employee made directly to the System for deposit in
11 the Fund.

12 (i) "Employee" means any person, including officials,
13 in the full-time employ of the Territory, but shall not include
14 the following: (1) members of the Territorial Legislature; (2)
15 hourly, part-time, seasonal, temporary, or emergency employees;
16 and (3) teachers or others covered by the Alaska Teachers'
17 Retirement System.

18 (j) "Employer" means the Territory of Alaska.

19 (k) "Fund" means the Alaska Retirement Fund.

20 (l) The masculine gender, whenever used, shall include
21 the feminine gender.

22 (m) "Member" means any employee covered under this
23 System.

24 (n) "Municipality" means any incorporated city in
25 Alaska.

26 (o) "Payroll Deduction" means any contribution to this
27 System as provided in Section 8 of this Act.

28 (p) "Prior Service" means all service as an employee
29 of the Territory, prior to the effective date, for which credit

1 may be obtained as provided under Sections 7 and 10 of this Act.

2 (q) "Retirement Annuity" means annual payments for
3 life as provided in this Act, or the lump sum actuarially equiva-
4 lent to such annual payments.

5 (r) "Reversions" mean that portion of the Fund consist-
6 ing of all monies contributed for matching purposes by the
7 Territory or participating municipalities, including any interest
8 earned thereon, remaining after a member withdraws from the
9 System; any liability for such contributions; any other contribu-
10 tions, penalties, or profits not subject to refund; and interest
11 on all such monies included herein.

12 (s) "System" means the Alaska Retirement System.

13 (t) "Territory" means the Territory of Alaska

14 (u) "Treasurer" means the Treasurer of the Territory of
15 Alaska.

16 (v) "Withdrawal from Service" means complete severance
17 of employment of any member, either voluntary or involuntary, as
18 an employee of the Territory.

19 Section 6. MEMBERSHIP IN SYSTEM.

20 (a) Each person who is an employee of the Territory on
21 the effective date shall become a member of the System as of that
22 date. A person absent from service without pay on the effective
23 date, on an approved or authorized leave of absence not extending
24 for more than one year continuously, shall become a member upon
25 return to service.

26 (b) Each person who becomes an employee on or after the
27 effective date of this Act shall become a member of the System as
28 a condition of employment.

29 (c) However, no person shall become a member of the

1 System, nor make any contributions thereto, who, in terms of age
2 and prior service, would find it impossible to obtain retirement
3 eligibility as hereafter set forth before the compulsory retire-
4 ment age of 70. For the purpose of determining such exclusion
5 from membership and contributions, the following formula shall be
6 used: 70 minus age in years plus years of prior service must
7 equal or exceed 15.

8 (d) Each Department participating under the Act shall
9 submit to the Board such pertinent information on their employees
10 at such times and in such manner as the Board prescribes.

11 Section 7. PRIOR SERVICE.

12 (a) Each member of the System shall be eligible to
13 receive credit for all service rendered to the Territory prior to
14 the effective date, in any position and in any Department for
15 which the employee shall have received compensation, subject to
16 the definition of "Employee" used herein. A person employed sub-
17 ject to this Act after the effective date, shall be eligible to
18 receive all such prior service credit if he has not been separated
19 more than five years, and has a minimum of five years of approved
20 prior service with the Territory.

21 (b) Each member eligible for prior service credit shall
22 file with the Board, on a form and under such rules as shall be
23 prescribed by the Board, a detailed statement of all service
24 rendered the Territory prior to the effective date, for which the
25 member claims credit.

26 (c) The Board shall make a determination in each case
27 of prior service claimed, and inform each such member of the total
28 amount of prior service approved.

29 Section 8. CONTRIBUTIONS BY EMPLOYEES. Beginning with the

1 effective date, each employee who is not otherwise exempted from
2 being a member of this System, shall contribute each pay-period
3 three percent (3%) of the compensation due him for service on and
4 after such date; however, such membership service contributions
5 shall not exceed Two Hundred Twenty-five Dollars (\$225.00) a year,
6 or the equivalent proportion thereof for a fraction of a year, and
7 shall be spread as equally as possible over each pay-period. Each
8 new employee starting on or after the effective date shall con-
9 tribute in the same manner, effective from his first day of
10 employment.

11 This contribution shall be made in the form of a payroll
12 deduction, in the same manner as used for other payroll deduc-
13 tions; and shall be in addition to all other authorized deduc-
14 tions, including any so authorized for the Federal Insurance
15 Contributions Act.

16 Section 9. CONTRIBUTIONS BY EMPLOYER. All such payroll
17 deduction contributions by Territorial employees shall be immedi-
18 ately credited to the Fund, and the Territory shall at the same
19 time contribute an equal amount to the Fund to match each such
20 contribution by a Territorial employee.

21 Contributions by participating municipalities for both
22 employees and employers shall be paid into the Fund as elsewhere
23 specified.

24 Section 10. PRIOR SERVICE CONTRIBUTIONS BY EMPLOYEES. Each
25 employee with approved prior service may elect to pay up his con-
26 tributions to obtain prior service credit by direct payments to
27 the System, and thus obtain additional creditable service toward
28 his retirement annuity. Such election may be made at any time,
29 from the time he becomes a member of the System up to and

1 including his time of retirement, for the full amount or for vari-
2 ous parts thereof; provided that any such election or elections
3 shall not be for less than the contribution for one full year's
4 service. Payments on any such election may be in one lump sum,
5 or if so approved by the Board, in installments.

6 Such prior service contributions shall be computed at the
7 rate of three percent (3%) of the compensation received during the
8 specified period of prior service, with the same limitation on
9 maximum contributions per year of prior service as pertains to
10 current contributions.

11 Section 11. PRIOR SERVICE CONTRIBUTIONS BY EMPLOYER. Upon
12 the completion of an election by complete payment thereof by a
13 Territorial employee, the Territory shall acquire a liability to
14 the Fund for an equal amount of money. All such prior service
15 liabilities acquired during a fiscal year shall be computed at the
16 end of such fiscal year, and shall become at that time due and
17 payable to the Fund. Liquidation of such accumulated liabilities
18 may be limited to Thirty Thousand Dollars (\$30,000.00) per
19 biennium.

20 Section 12. COMPULSORY RETIREMENT. No person shall remain
21 an employee of the Territory or of a municipality thereof (unless
22 an elected official) after he attains the age of 70.

23 Section 13. ELIGIBILITY FOR RETIREMENT ANNUITY. Upon full
24 retirement of a member from Territorial service, he shall be eli-
25 gible for a retirement annuity from the Fund subject to the fol-
26 lowing:

27 (a) Providing he has at least 20 years creditable
28 service; or

29 (b) If age 55 or over, he has at least 15 years

1 creditable service.

2 (c) Payments of such annuities shall conform with the
3 regular Territorial pay-periods, beginning with the first regular
4 pay-period after the member's last salary payment for regular
5 services; provided that the employee may choose alternate methods
6 of payment, subject to approval of the Board, as provided in
7 Section 14(c) of this Act.

8 (d) Such payments shall continue during the rest of the
9 beneficiary's life, except during such periods as he may be an
10 elected official or re-employed, and under covered service with
11 the Territory.

12 (e) Such annuity payments shall end, and all obliga-
13 tions of the System to the beneficiary shall be deemed fulfilled,
14 with the last payment to be made for the pay-period including such
15 beneficiary's date of death; provided that, if a beneficiary
16 should die before having received annuity payments amounting in
17 the aggregate, to the sum of his own contributions accumulated at
18 three percent (3%) interest compounded annually to the date of his
19 retirement, there shall be paid to his legally established heirs
20 an amount equal to the difference between such accumulated con-
21 tributions and the total of annuity payments received.

22 Section 14. RETIREMENT ANNUITY BENEFITS.

23 (a) Retirement annuities shall be computed separately
24 for each retiring member with eligibility for an annuity, based
25 on the actuarial tables in use by the Board at the time of retire-
26 ment. In general, each annuity shall depend on and be proportion-
27 ate to each of two factors:

28 (1) Total amount in the Fund attributable to said
29 employee, such as his contributions for both current and

1 prior service; Territorial matching funds for such contribu-
2 tions; and all interest on the preceding; and

3 (2) Sex and age of the retiring member at the
4 beginning of such an annuity.

5 (b) As a minimum, the Board shall compute each annuity
6 from the sum obtained by adding the accumulated contributions of
7 the employee and of the Territorial matching thereto, and the
8 accumulated interest on the preceding funds from their individual
9 dates of deposit in the Fund, such interest computations being at
10 the rate of three percent (3%) compounded annually.

11 (c) The retiring member shall choose from the options
12 in the annuity plan listed below, at the time of his retirement,
13 or within such time as the Board may specify by regulation. Such
14 choice shall be in writing and signed, and once made shall not be
15 subject to change.

16 Option 1. Regular annuity payments as specified in
17 Section 13(c) hereof, starting at once.

18 Option 2. Regular annuity payments, starting at
19 the attainment of a certain designated future age, resulting
20 in correspondingly higher periodic payments due to the
21 shorter life-expectancy at that future date; and with a
22 guaranteed certain refund to his legally established heirs
23 in case of death before that designated age, of a sum actu-
24 arially equivalent to the minimum specified in Section 14(b),
25 discounted back to the date of payment as in Option 3.

26 Option 3. No monthly annuity payments: in lieu
27 thereof a lump sum payment, to be made at once, equivalent to
28 the sum of the actuarially expected annuity payments under
29 Option 1, discounted back to the date of retirement at a rate

1 of three percent (3%) compounded annually.

2 Section 15. REFUNDS UPON WITHDRAWAL.

3 (a) Upon full retirement or withdrawal of a member from
4 covered Territorial service, without being eligible for a retire-
5 ment annuity, the employee shall select one of the following dis-
6 positions of his contributions:

7 (1) Leave on deposit. If the withdrawing employee
8 contemplates return to Territorial employment, and the Board
9 finds such a return could possibly result in retirement annu-
10 ity eligibility, he may leave his contributions on deposit
11 with the Fund until such return to the service. Upon written
12 application, before such return to Territorial employment, or
13 at any time that the Board finds he is no longer potentially
14 eligible, such (ex) employee may withdraw any such funds left
15 on deposit; provided that such withdrawn funds shall be sub-
16 ject to the bookkeeping charge and shall earn any interest
17 specified under Section 15(a)(2) following, and two percent
18 (2%) simple interest for any period left on deposit while not
19 a member.

20 (2) Withdraw immediately. The withdrawing
21 employee may ask for immediate refund of such contributions
22 as he may have made for both current and prior service. The
23 total of such contributions will be refunded, at the same
24 time as he is paid his final salary check, subject to the
25 following:

26 (A) With less than two full years of credit-
27 able service, a bookkeeping charge of \$1.00 for each
28 month of such service will be deducted.

29 (B) With less than five full years of

1 creditable service, no interest will be paid on such
2 refund.

3 (C) With five years or more of creditable
4 service, two percent (2%) simple interest will be paid
5 on the employee's refunded contributions.

6 (F) Such request for refund of contributions
7 acts to cancel completely any rights of the employee to
8 elect any prior service coverage, if he returns to
9 Territorial employment at a later date, other provisions
10 to the contrary notwithstanding.

11 (b) Upon any such refund of a withdrawing employee's
12 contributions, as well as those of a deceased employee, the monies
13 contributed for matching by the Territory, or any existing lia-
14 bilities of the Territory to so match; the accumulated interest on
15 such matching funds; and such interest earned on the employee's
16 contributions over and above any interest paid as part of the
17 refund, shall remain to the credit of the Fund, and shall be iden-
18 tified as Reversions. Such Reversions, and interest thereon,
19 shall be used by the Board for two purposes only: after the first
20 five years of operation, to pay expenses necessary to the adminis-
21 tration of this System; and on an actuarial basis, to provide
22 additional annuities for those eligible for retirement annuities.

23 Section 16. REFUNDS UPON DEATH. Upon the death of any mem-
24 ber, or any ex-member who has left contributions on deposit, but
25 who is not a beneficiary, or is not eligible to be a beneficiary
26 at the time of death, the decedent's accumulated contributions
27 shall be refunded to his legally established heirs, subject to the
28 same charges and including the same interest earnings as estab-
29 lished in Section 15 (a)(2) herein. Said heirs shall present a

1 claim to the Board within five years of the death of the employee;
2 otherwise such accumulated contributions of the employee, and any
3 interest thereon, shall become part of Reversions within the Fund.

4 Section 17. THE ALASKA RETIREMENT BOARD; ADMINISTRATIVE
5 EXPENSES.

6 (a) The general administration and responsibility for
7 the proper operation of this System is vested in the Alaska
8 Retirement Board which is hereby established. This Board shall
9 consist of five members as follows: two Territorial employees who
10 are heads of Territorial Departments; two Territorial employees
11 who are not heads of Departments; and one member who is not an
12 employee, who shall represent the general public and act as
13 Chairman; provided, however, that no two members shall be employ-
14 ees of the same Department. Board members shall be appointed by
15 the Governor subject to confirmation by a majority of all the mem-
16 bers of the Senate and the House of Representatives in joint ses-
17 sion assembled. The term of office of Board members shall be five
18 years; provided, however, that the terms of office of the members
19 of the first Board shall begin April 1, 1957 and shall be as
20 follows: the representative of the public shall be appointed for
21 a five-year term; the heads of Territorial Departments shall be
22 appointed for a two and four-year term, respectively; and the two
23 members who are employees but are not Department heads shall be
24 appointed for a one and three-year term, respectively.

25 (b) The members of the Board shall serve without com-
26 pensation; provided that the four members who are employees of the
27 Territory shall not be required to take leave or otherwise lose
28 their regular Territorial compensation, even though their duties
29 as Board members may at times conflict and overlap with their

1 regular hours of employment. Any necessary expenses incurred as a
2 member of the Board, including travel and expenses incidental
3 thereto, shall be reimbursed to that member. Per diem may be paid
4 the Chairman of the Board during any extended period of meetings,
5 such as during the period of organization, at the option of the
6 Board. Such rate of per diem shall conform with that allowed to
7 members of other Territorial Boards.

8 (c) After the first five years of operation under this
9 Act, starting as of July 1, 1962, all expenses incurred by the
10 Board, and all other administrative costs of the System, shall be
11 paid from that part of the Fund identified as Reversions. Until
12 July 1, 1962, all authorized expenses of the Board and all other
13 administrative costs of the System, as approved by the Board,
14 shall be paid from the General Fund of the Territory. Funds for
15 such purpose shall be set forth in the general appropriation Act,

16 Section 18. POWERS AND DUTIES OF BOARD.

17 (a) The Board shall establish rules and regulations,
18 not inconsistent with this Act, for the purpose of carrying out
19 the provisions of this Act and the administration of the System
20 and the Fund. The Board shall employ such help as may be required
21 to carry out the provisions of this Act, including the services of
22 a qualified actuary as needed. The compensation of all persons
23 employed by the Board and all other expenses of the Board neces-
24 sary for the proper and efficient operation of the System shall be
25 paid from that part of the Fund identified as Reversions, except
26 as otherwise provided by this Act, at such rates and in such
27 amounts as the Board may determine.

28 (b) In addition to other powers and duties arising out
29 of this Act not otherwise specifically reserved or assigned to

1 others, the Board shall have the following powers and duties;

2 (1) Arrange for the establishment of an office
3 where all files, accounts, and other records of the System
4 shall be kept; and arrange for the installation of a complete
5 and adequate system of accounts in conformity with this Act.

6 (2) Hold regular meetings at least every three
7 months, and such special meetings as may be deemed necessary;
8 provided that, during the period of organization, the Board
9 shall meet as often as necessary upon call of the Chairman.
10 The Board shall keep a record of all its proceedings.

11 (3) Determine the value of maintenance, board,
12 living quarters, lodging, fuel, laundry, and similar allow-
13 ances, to be used in computing the compensation of any
14 member.

15 (4) With the advice of a competent actuary, adopt
16 and publish the necessary actuarial tables to be used in con-
17 nection with the System. The Board shall have the right to
18 change the actuarial basis of the annuity rates, as it deems
19 necessary, on the basis of mortality experience among retired
20 members, and to publish revised tables, but any such change
21 shall effect only those members whose retirement date is on
22 or after the effective date of such change. Actuarial serv-
23 ices shall be obtained as needed; provided that, as long as
24 Alaska remains eligible to receive such service without cost
25 from the Social Security Administration, it shall be so
26 obtained whenever feasible.

27 (5) Determine who is an employee under the meaning
28 of this Act.

29 (6) Determine prior service claims, and either

1 approve or disapprove all such claims for prior service.

2 (7) Determine policy for member payments toward
3 prior service credit.

4 (8) Prescribe the necessary reports from the
5 employer concerning the employee members of the System.

6 (9) Consider and pass on all applications for
7 benefits.

8 (10) Pass on, and have the final determination of,
9 all disputed cases of membership, prior service, refunds, and
10 any other claims arising under the System; provided, however,
11 that the disputing person in any such case has the right to
12 appear personally before the Board, if he so requests.

13 (11) Formulate a model ordinance and model con-
14 tract for use in connection with participating municipali-
15 ties; approve each initial participation by a municipality,
16 and any withdrawals from the System, terminations, reinstate-
17 ments, penalties and interest charges, refunds, and any other
18 necessary determinations in connection with municipal partic-
19 ipation.

20 (12) Determine the amount necessary as a working
21 balance to be maintained in the Fund in the Treasury to meet
22 the current requirements of the System; and instruct the
23 Treasurer to invest the balance of the money in the Fund in
24 such type of investments as the Board, with the advice of the
25 Treasurer and of the Executive Officer, shall specify. All
26 investments shall be clearly marked to indicate ownership by
27 the System, and to the extent possible shall be registered in
28 the name of the System. The total amount of investments, at
29 par value, in the securities of any one state or territory,

1 not including the Territory of Alaska, shall not at any time
2 exceed ten percent (10%) of the total amount of investments
3 of the System at par value; provided, however, that such
4 limitations shall be applicable only at the time of purchase,
5 and shall not require the liquidation of any investment at
6 any time. Subject to the above terms, conditions, limita-
7 tions, and restrictions, the Board shall have the full power
8 to sell, assign, transfer, and dispose of any of the securi-
9 ties and investments of the System on either a bid basis or
10 negotiated basis, or otherwise. Except as otherwise provided
11 herein, no Board member or employee of the Board shall have
12 any direct interest in the income, gains, or profits of any
13 investments made by the Board, nor shall any such person
14 receive any pay or emolument for services in connection with
15 any investment. No Board member or employee of the Board
16 shall become an endorser, or surety, or in any manner an
17 obligor for money loaned by or borrowed from the Fund. Proof
18 that any such person shall have violated any of these restric-
19 tions shall make such person guilty of a misdemeanor punish-
20 able under the penalty clause hereafter set forth. All
21 interest derived from investments and any gains from the sale
22 or exchange of investments shall be covered into the Fund.

23 (13) Certify prior service liabilities of the
24 Territory under this Act to the Treasurer at the end of each
25 fiscal year.

26 (c) The Board shall also have, in addition to other
27 powers and duties arising out of this Act, the following powers
28 and duties, which the Board may delegate:

29 (1) Maintain a separate account of each member's

1 contributions, matching contributions, and interest accumula-
2 tions.

3 (2) In all cases where heirs have rights under
4 this System, to make all reasonable efforts to locate such
5 heirs and explain their rights to them.

6 (3) Compile such additional data as may be neces-
7 sary for required actuarial valuations and actuarial studies
8 of the operating experience of the System.

9 (4) Do all other bookkeeping and record keeping
10 necessary to the System, accept payments for the Fund, and
11 conduct all other business incidental to the operation of the
12 System.

13 Section 19. EXECUTIVE OFFICER OF BOARD. The Director of
14 Finance, who shall not be a member of the Board, shall be the
15 Executive Officer of the Board, and shall receive and issue
16 receipts for payments made to the System, and transmit the same to
17 the Treasurer to be covered into the Fund; shall sign vouchers for
18 the payment of monies by the System in accordance with authoriza-
19 tion of the Board; and shall perform such other duties as may be
20 assigned by the Board.

21 Section 20. ACTUARIAL VALUATIONS AND DECLARATION OF
22 ADDITIONAL ANNUITIES. Actuarial valuations of the System by a
23 qualified actuary shall be made at such times as deemed advisable
24 by the Board, but not less frequently than at intervals of five
25 years; the cost of such valuations being considered part of the
26 administrative expenses of the System. If such a valuation shall
27 determine that there is a surplus in the Reversions portion of
28 the Fund, the Board shall set aside a contingency reserve of five
29 percent (5%) of the total reserve for both members and

1 beneficiaries. Any additional surplus may, at the discretion of
2 the Board acting on the advice of its actuary, be applied to pro-
3 vide additional annuities to members already retired and to those
4 who retire subsequently, in accordance with a reasonable and
5 equitable formula. Payment of such additional annuities may be
6 discontinued at any time when, in the Board's opinion, the condi-
7 tion of the Fund renders such continued payment undesirable.

8 Section 21. TREASURER OF FUND. The Treasurer shall be the
9 custodian of the Fund, and shall invest, pay out, and disburse the
10 Fund monies upon order of the Board. The Treasurer shall be
11 governed by the general laws of the Territory applicable to the
12 handling and investment of other Territorial funds unless other-
13 wise specified herein, so that the Fund may have the same safe-
14 guards as the General Fund of the Territory.

15 Section 22. LEGAL ADVISOR. The Attorney General of the
16 Territory shall be the legal advisor of the Board.

17 Section 23. REPORTING. Each Department is authorized and
18 directed to report to the Board such information as the Board may
19 require.

20 Section 24. PARTICIPATION BY MUNICIPALITIES.

21 (c) Any municipality, by action of its Council, may
22 become a contractual participant in the System established by this
23 Act, subject to the approval of the Board, by complying with the
24 following provisions:

25 (1) Adopt an enabling ordinance in such form as
26 may be approved by the Board, including the following
27 matters:

28 (A) A plan of participation by the munici-
29 pality and its employees, including:

- 1 (aa) Necessary definitions, consistent
2 with those in this Act;
3 (bb) Effective date of participation;
4 (cc) Municipal employees eligible for
5 membership in the System;
6 (dd) Prior service of municipal
7 employees;
8 (ee) Contributions by municipal employees
9 and the municipality;
10 (ff) Prior service contributions by
11 municipal employees and the municipality;
12 (gg) Eligibility for retirement annuity.
13 (B) Authorization to participate in the
14 System under the terms of this Act and in accordance
15 with the rules and regulations promulgated by the Board.
16 (2) Sign a contract with the Board, binding the
17 municipality to:
18 (A) Periodic payroll deductions from employee
19 members;
20 (B) A continued current matching of employee
21 contributions in an equal amount by the municipality;
22 (C) Prompt transmittal by the municipality of
23 all contributions and matching funds to the Board as
24 required by the Board;
25 (D) Give six months notice in writing to the
26 Board before withdrawal by the municipality from the
27 System;
28 (E) Transfer to the System all rights to any
29 Reversions;

1 (F) Match all prior service contributions by
2 employees of the municipality; .4

3 (G) Furnish all required information concern-
4 ing its employees.

5 (3) Provided assurance satisfactory to the Board as
6 to the continuing ability of the municipality to finance and
7 make such payments as may be required,

8 (b) (1) If the Board approves the proposed contractual
9 participation, the contract shall be signed by both parties,
10 setting forth an effective date, from which time such covered
11 employees shall be contractual members of the System. The
12 participating municipality shall thereafter be known as a
13 "Contractual Employer," and its covered employees as
14 "Contractual Members."

15 (2) Upon the signing of the contract, the
16 Contractual Members shall have the following rights and
17 privileges:

18 (A) Retirement annuity benefits based on the
19 same factors and actuarial tables as for Territorial
20 employees;

21 (B) Proportionate inclusion in any increase
22 in annuities due to a surplus of Reversions, after any
23 charges necessary due to extra administrative expenses
24 caused by the municipal participation which might be
25 proportionately higher than for the Territory;

26 (C) Same rights as Territorial members in all
27 options, choices, refunds, and other benefits of the
28 System.

29 (3) Separate accounts shall be kept for each such

1 Contractual Employer and individual Contractual Member. The
2 contributions may be commingled with other monies in the
3 Fund, and may be placed as a unit in investments and expended
4 for purposes authorized under this Act.

5 (4) No prior service shall be transferrable
6 between any Contractual Employers, or between any Contractual
7 Employer and the Territory.

8 (5) As long as the terms of the contract are met,
9 such Contractual Members shall have the same rights and
10 privileges under the System as Territorial employee members.

11 (6) If at any time a Contractual Employer becomes
12 three months delinquent in the transfer of current contribu-
13 tions to the Board, as determined by the terms set forth in
14 the contract, such Contractual Employer shall cease to be a
15 participant in the System, and the employees of such
16 Contractual Employer shall cease to be covered under the
17 System. All rights of such delinquent Contractual Employer
18 and the Contractual Members in the System shall automatically
19 terminate, subject to the following conditions:

20 (A) Such delinquent Contractual Employer may,
21 within one year from the due date of the first delin-
22 quency involved, pay up all delinquent payments to date,
23 plus interest at the rate of one percent (1%) per month
24 on such delinquent amounts from the dates due, and have
25 all rights reinstated. After one such reinstatement,
26 any subsequent reinstatements are subject to the
27 approval of the Board.

28 (B) If such delinquency and the interest
29 thereon is not paid within a period of one year, as

1 specified above, the contract shall be void; provided,
2 however, a new contract may be subsequently entered into
3 if approved by the Board.

4 (C) Such Contractual Members retain only the
5 rights for refund as specified in Section 15(a), herein,
6 and are not entitled to any benefits.

7 (D) Any beneficiary hereunder who has become
8 eligible for a retirement annuity shall not be affected
9 by the subsequent delinquency of his employer, and his
10 eligibility shall continue, subject to the same condi-
11 tions as apply to Territorial employees.

12 (7) The Board may, at its discretion, charge
13 interest, not to exceed one percent (1%) per month, for any
14 delinquencies in periodic payments not covered under
15 Section 24(b)(6) of this Act, or for delinquencies in trans-
16 fer of prior service payments, including payments of matching
17 funds thereto.

18 (8) No Contractual Member shall become eligible
19 for an annuity, and no such annuity payments shall commence,
20 while any part of his contributions, current or prior, or
21 the matching funds thereto, or penalty interest due thereon,
22 is delinquent.

23 Section 25. EXEMPTION OF BENEFIT PAYMENTS FROM ATTACHMENT,
24 ETC. All benefits provided under this Act, the contributions of
25 the members to the Fund, refunds under the provisions hereof, and
26 all monies in the Fund created by this Act shall be exempt from
27 any Territorial, municipal, or other local unit of government
28 tax, and from any levy, sale, garnishment, attachment, or other
29 legal process whatsoever, and shall be unassignable except to a

1 beneficiary.

2 Section 26. INSEPARABILITY OF FUND. Investments by the
3 Board under this Act shall be solely for the benefit of the
4 System, and no particular person, group of persons, or entity
5 shall have any right in any specific security or property, or in
6 any items of cash other than an undivided interest in the whole.

7 Section 27. PENALTY CLAUSE. Any person who knowingly makes
8 any false statement, or falsifies or permits to be falsified any
9 record or records of this System, in any attempt to defraud the
10 System, is guilty of a misdemeanor; and upon conviction thereof
11 shall be punished by a fine not exceeding Five Hundred Dollars
12 (\$500.00), or imprisonment in jail for not more than twelve
13 months, or by both such fine and imprisonment.

14 Section 28. SEVERABILITY CLAUSE. If any provision of this
15 Act, or the application thereof to any person or circumstances is
16 held invalid, the remainder of the Act and such application to
17 other persons or circumstances shall not be affected thereby.

18 Section 29. EMERGENCY CLAUSE. An emergency is hereby
19 declared to exist and this Act shall be in full force and effect
20 from and after the 1st day of April 1957.

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