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IN THE HOUSE

BY MR. GIERSDORF

HOUSE BILL NO. 364

IN THE LEGISLATURE OF THE STATE OF ALASKA

FIRST LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to the Teacher's Retirement System; amending Ch. 145, SLA 1955 as amended by Ch. 142, SLA 1957; repealing Sec. 3, Ch. 145, SLA 1955; and providing for an effective date."

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

Section 1. Sec. 1, Ch. 145, SLA 1955, is amended to read as follows:

Section 1. RETIREMENT SYSTEM ESTABLISHED. The [A] joint-contributory retirement system created and established for teachers of the Territory of Alaska is hereby adopted for the teachers of the State of Alaska [CREATED AND ESTABLISHED].

Sec. 2. Subsecs. (a), (b), (c), (e), (g), (h), (j), and (l) of Sec. 2, Ch. 145, SLA 1955, as amended by Ch. 142, SLA 1957 are amended to read as follows:

(a) "Administrator" means the Department of Administration. ["BOARD" MEANS THE TEACHERS' RETIREMENT BOARD.]

(b) "Employer" means any city school district, incorporated school district, independent school district, the Board of Regents of the University of Alaska, and the Department of Education [OFFICE OF THE COMMISSIONER OF EDUCATION].

(c) "Teacher" means any certified teacher,

1 principal, supervisor or superintendent employed on a full-
2 time basis in the public schools of Alaska, the Commissioner
3 of Education, supervisors within the Department of Education,
4 and all full-time resident department heads, instructors,
5 professors, assistant professors, associate professors,
6 deans, agricultural extension agents and supervisors, li-
7 brarian and registrar of the University of Alaska. In all
8 cases of doubt the administrator [RETIREMENT BOARD] shall
9 finally determine whether any person is a teacher as defined
10 in this Act.

11 (e) "Outside [PRIOR] service" means service as a
12 "Teacher" in a public school not under the supervision and
13 control of the Department of Education or the Territorial
14 Board of Education, the school board of any incorporated
15 city, incorporated school district, independent school dis-
16 trict, or the Board of Regents of the University of Alaska.

17 (g) "Membership service" means service as a
18 teacher in a public school within the Territory or State of
19 Alaska or both under the supervision and control of the
20 Territorial Board of Education or the Department of Educa-
21 tion, the school board of any incorporated city, incorporated
22 school district, independent school district, or the Board
23 of Regents of the University of Alaska.

24 (h) "Creditable service" means outside [PRIOR]
25 service not to exceed ten (10) years, plus membership ser-
26 vice as is provided in subsection (g).

27 (j) "Year of service" means service of at least
28 140 school days in any one school year. Fractional credit
29 shall be given for membership service in any year after

1 July 1, 1960 if the number of days of school service is less
2 than 140 but at least 20, according to the ratio that the
3 number of such school days of service bears to 140 and
4 providing that appropriate contributions are made by the
5 teacher.

6 (1) "Base salary" or "basic salary" means the
7 annual salary authorized by law to be paid a teacher if em-
8 ployed in the same position in the First Judicial Division
9 of the Territory of Alaska or the geographic area succeeding
10 the First Judicial Division in law for the purpose of setting
11 basic teachers' salaries for the State of Alaska, but not to
12 exceed \$7,000.00. "Salary authorized" means that salary
13 fixed by the Territorial Board of Education and the Depart-
14 ment of Education pursuant to law; or if an employee of the
15 Department of Education, University of Alaska or a Community
16 College, that salary, in fact, paid such employee.

17 Sec. 3. Sec. 4, Ch. 145, SLA 1955 as amended by Ch. 142,
18 SLA 1957 is amended to read as follows:

19 Sec. 4. POWERS AND DUTIES. The administrator [BOARD]
20 shall have, but not by way of limitation, the following
21 powers and duties: (a) authority to promulgate and issue
22 appropriate regulations to implement the provisions of this
23 Act and to cover matters not expressly touched upon or an-
24 ticipated but implied by the provisions hereof. All such
25 regulations shall have the force and effect of law; (b)
26 authority to make such expenditures from the Retirement Fund
27 as are necessary to administer this Act; providing that such
28 administrative expenditures shall be included in the gover-
29 nor's budget for each fiscal year and shall be subject to

1 appropriation by the legislature [TO EMPLOY SUCH ASSISTANTS
2 AS ARE NECESSARY AT SALARIES DETERMINED BY THE BOARD AND PAID
3 FROM THE RETIREMENT FUND]; (c) to establish and maintain
4 an adequate system of accounts for the Retirement Fund;
5 (d) to approve or disapprove claims for retirement salary;
6 (e) to keep an official record of all proceedings; (f) to
7 publish annually [BIENNIALY] a report showing the financial
8 conditions of the Retirement Fund; and (g) to do whatever
9 else may be necessary to effectuate the purposes of this
10 Act.

11 Sec. 4. Sec. 6, Ch. 145, SLA 1955 is amended to read as
12 follows:

13 Section 6. CONTRIBUTIONS BY TEACHERS. Commencing July
14 1, 1955, each teacher shall contribute to the Retirement
15 Fund an amount equal to five percent (5%) of his base salary.
16 The contribution shall be deducted by the employer on the
17 basis of days taught at a daily rate determined by dividing
18 the annual contribution by 140; provided, no contribution
19 for any one school year shall exceed \$350.00 nor shall the
20 number of days for which a contribution is made exceed 140.
21 [EACH EMPLOYER SHALL DEDUCT FROM THE COMPENSATION OF EACH
22 TEACHER FOR EACH AND EVERY PAYROLL PERIOD SUBSEQUENT TO THE
23 DATE ON WHICH SUCH TEACHER BECAME A MEMBER, THE ABOVE STATED
24 AMOUNT; PROVIDED, NO DEDUCTION FOR ANY ONE SCHOOL YEAR SHALL
25 EXCEED THE AMOUNT OF \$300.]

26 Sec. 5. Sec. 7, Ch. 145, SLA 1955 as amended by Ch. 142,
27 SLA 1957 is repealed and re-enacted to read as follows:

28 Sec. 7. ARREARAGES. a. Retroactive contributions
29 will not be required for creditable membership service prior

1 to June 30, 1955.

2 b. In the event that retroactive contributions have
3 been made on creditable membership service prior to June
4 30, 1955, or a reduced retirement salary received in lieu
5 thereof, the teacher shall be entitled to a refund of such
6 contributions. If a teacher has foregone all or part of
7 his retirement salary in lieu of making these retroactive
8 contributions, he shall commence to receive a full or pro-
9 portionate benefit as computed under Section 13, based on
10 his service and earnings prior to retirement, and, in
11 addition, he shall receive credit for or a refund of the
12 amount or amounts that were not received in the past because
13 such contributions were not made. Such refunds shall not be
14 considered in the application of subsection (d) of Section
15 16 of this Act, and in the event of future death or with-
16 drawal, shall not be counted as part of his accumulated
17 contributions.

18 c. If a teacher has creditable outside service he shall
19 be indebted, in addition to the contributions required by
20 Section 6 of this Act, as follows:

21 (1) If, at the time of becoming a member of this
22 retirement system, a teacher has no membership service, his
23 indebtedness shall be five percent (5%) of the base salary
24 paid at the time of first becoming employed as a teacher,
25 under the provisions of this Act, multiplied by the total
26 number of years of such creditable outside service at the
27 time of becoming a member; provided that the total outside
28 service claimed shall not exceed ten years.

29 (2) If a teacher, after becoming a member of this

1 retirement system, discontinues active membership and sub-
2 sequently desires to be reinstated and receive credit for
3 outside service accumulated in the interim, his indebtedness
4 to the Retirement Fund for such additional credit shall be
5 computed as follows: Five percent (5%) of the base salary
6 received upon reinstatement multiplied by the number of years
7 of interim outside service; provided, however, that the
8 total outside service claimed shall not exceed ten (10)
9 years.

10 d. Each teacher shall be credited with his total amount
11 of contributions, if any, less any refunds, paid into the
12 Retirement Fund of 1945.

13 Sec. 6. Sec. 9, Ch. 145, SLA 1955 is amended to read as
14 follows:

15 Section 9. CONTRIBUTIONS BY THE STATE [TERRITORY].
16 The state [TERRITORY] shall contribute to the Retirement
17 Fund from the state [TERRITORIAL] School Tax Fund an amount
18 equal to one-half the sum contributed each pay period by
19 the teachers. The sum due hereunder shall be covered into
20 the Retirement Fund semi-annually.

21 Sec. 7. Sec. 10, Ch. 145, SLA 1955 is amended to read as
22 follows:

23 Section 10. CONTRIBUTIONS BY THE STATE [TERRITORY] FOR
24 ARREARAGES. The state [TERRITORY] shall contribute to the
25 Retirement Fund from the state [TERRITORIAL] School Tax
26 Fund, an amount equal to: (a) the arrearage payments made
27 by teachers as provided in Section 7 herein; and/or (b)
28 the arrearage outstanding under option (2) of Section 13
29 herein. The state shall be obligated to contribute to the

1 Retirement Fund from the state School Tax Fund, an amount
2 sufficient to provide for any benefits which are based on
3 creditable service granted to a teacher on the basis of
4 membership service up to June 30, 1955. This obligation
5 shall be met by payments to the Retirement Fund in such
6 amounts and at such time as the state determines, provided
7 that the obligation shall be met in full by July 1, 2000.

8 Sec. 8. Sec. 11, Ch. 145, SLA 1955 is amended to read as
9 follows:

10 Section 11. CREDIT FOR SERVICE IN THE ARMED FORCES.

11 Any teacher who served as an active member of the Armed
12 Forces of the United States on or after January 1, 1940,
13 having entered the Armed Forces immediately after service as
14 a teacher in a public school, may receive creditable service
15 under this retirement system, up to a maximum of five (5)
16 years. Each twelve (12) months of military service shall
17 equal one (1) school year, and lesser military periods shall
18 be determined for credit purposes in a proportionate ratio
19 to a school year; Provided, that the teacher return to
20 teaching in a public school within one (1) year following
21 discharge from the Armed Forces; and Provided, further, that
22 if entry into the Armed Forces was immediately preceded by
23 membership service and, following discharge, is continued
24 by membership service within one (1) year thereafter, such
25 service shall not be counted for purposes of determining the
26 applicability of the ten (10) year limitation on outside
27 service. [MEMBER SHALL BE ACCREDITED WITH MEMBERSHIP SERVICE,
28 OTHERWISE IT SHALL BE CREDITED AS PRIOR SERVICE; PROVIDED,

29 FURTHER, THAT THE TOTAL PRIOR SERVICE CLAIMED AND CREDITED

1 SHALL NOT EXCEED TEN (10) YEARS.]

2 Where a teacher is unable to resume teaching in a public
3 school within one year following discharge because of hos-
4 pitalization, rehabilitation training, a disability derived
5 while in the Armed Forces, or other like circumstances, the
6 administrator [BOARD] shall determine the allowance or dis-
7 allowance of any service in the Armed Forces.

8 Credit of service in the Armed Forces shall be granted
9 only if the teacher makes contributions for such service
10 in the same manner as is required for outside service under
11 Section 7 herein. [ARREARAGES FOR CREDITED SERVICE IN THE
12 ARMED FORCES SHALL BE COMPUTED AS SET FORTH IN SECTION 7
13 AND SECTION 10 OF THIS ACT.]

14 Sec. 9. Sec. 12, Ch. 145, SLA 1955 as amended by Ch. 142,
15 SLA 1957 is amended to read as follows:

16 Sec. 12. ELIGIBILITY FOR SERVICE RETIREMENT. (a) Any
17 teacher who has completed twenty-five (25) years of credit-
18 able service, the last five (5) years of which is member-
19 ship service in the Territory or state, and who has attained
20 the age of fifty-five (55) years, may retire from service,
21 and apply in writing to the administrator [SECRETARY] for
22 his retirement salary.

23 (b) Any teacher who has completed twenty-five (25)
24 years of creditable service, the last five (5) years of
25 which is membership service in the Territory or state, and
26 who has attained the age of sixty-five (65) years during any
27 school year, shall be retired on the first day of July
28 following his sixty-fifth (65) birthday; Provided, however,
29 except for the purposes of determining eligibility for

1 membership in this retirement system, compulsory retirement
2 at the age of sixty-five (65) shall not apply to the Commis-
3 sioner of Education, supervisors within the Department of
4 Education, other full-time administrators and personnel of
5 the University of Alaska.

6 (c) The burden of proving eligibility for any retire-
7 ment benefits hereunder shall be borne by the applicant to
8 the full satisfaction of the administrator [BOARD].

9 Sec. 10. Subsec. (a) of Sec. 13, Ch. 145, SLA 1955 is
10 amended to read as follows:

11 (a) If the teacher has attained the age of sixty (60)
12 or over on the date which the application for a retirement
13 salary is filed, and has paid into the Retirement Fund the
14 full amount of his indebtedness, his annual retirement
15 salary shall be one and one-half percent (1½%) of his
16 highest average base salary [, NOT TO EXCEED SIX THOUSAND
17 DOLLARS (\$6,000.00) IN ANY ONE SCHOOL YEAR,] during any
18 five (5) consecutive years of membership service multiplied
19 by the total number of years of creditable service, including
20 credited fractional years.

21 Sec. 11. Subsec. (e) of Sec. 13, Ch. 145, SLA 1955 is
22 amended to read as follows:

23 (e) If a teacher, after receiving any retirement
24 salary, shall be re-employed as a full-time teacher in
25 membership service, his retirement salary shall be suspended
26 during the period of such re-employment.

27 The retirement salary shall be suspended for the entire
28 school year if the teacher is re-employed as a full time
29 teacher in membership service for a period of time equivalent

1 to a year of service, as used in this Act.

2 During such period of re-employment, deductions from
3 salary may be made at the option of the teacher for con-
4 tributions to the Retirement Fund as provided in Section 6.
5 If such deductions are made, the annual amount of retirement
6 salary shall be increased when the teacher again retires
7 from active membership service, by adding to the annual
8 amount previously payable, an amount equal to one and one-
9 half (1½%) percent of the base salary [, NOT TO EXCEED SIX
10 THOUSAND DOLLARS (\$6,000.00) IN ANY ONE SCHOOL YEAR,] for
11 such period of re-employment, provided that if the teacher
12 has not attained the age of sixty (60) on the date when
13 [WHICH] payment of retirement salary is resumed, the addition-
14 al amount provided for in this sub-section shall be reduced
15 annually by the amount derived from the following computa-
16 tions: Multiply one-half of one percent (½%) times the
17 number of months, to the nearest month, by which the
18 teacher's attained age on date of subsequent retirement falls
19 short of sixty (60) times the additional amount provided for
20 in this sub-section.

21 Sec. 12. Sec. 14, Ch. 145, SLA 1955 is amended to read as
22 follows:

23 Section 14. ELIGIBILITY FOR DISABILITY RETIREMENT.

24 Upon the application of a teacher in membership service who
25 has become permanently disabled and who has had five (5) or
26 more membership years, such teacher may be retired by the
27 administrator [BOARD] as of the first day of the month
28 following the permanent disability; Provided, the adminis-
29 trator [BOARD], after a report of medical examination of the

1 teacher has been submitted, shall certify that such teacher
2 is physically or mentally incapacitated for the further per-
3 formance of duty, and that such incapacity is likely to
4 be permanent and that such teacher should be retired; Pro-
5 vided, further, that the number of years of prior service
6 credited for the purposes of disability retirement shall
7 not exceed ten (10) years or the number of membership years,
8 whichever is smaller.

9 A teacher retired because of disability under this sec-
10 tion and who subsequently recovers from such disability
11 shall not be entitled to any disability retirement salary
12 from the first day of the month following recovery.

13 Once each year during the first five (5) years follow-
14 ing retirement of a teacher under this section, and once in
15 every three (3) year period thereafter, the administrator
16 [BOARD] may, and upon his application for disability re-
17 tirement salary, shall, require any teacher who has not
18 attained the age of sixty-five (65) years to undergo a
19 medical or mental examination by a competent physician or
20 psychiatrist; provided, further, that the administrator
21 [BOARD] shall suspend any disability retirement allowances
22 for a teacher who refuses to undergo a physical or mental
23 examination when requested by the administrator [BOARD]
24 within the purview of this section.

25 Sec. 13. Sec. 17, Ch. 145, SLA 1955, as amended by Ch. 142,
26 SLA 1957, is amended to read as follows:

27 Sec. 17. PAYMENT UPON DEATH OF TEACHER. Upon receipt
28 of a valid claim and proper proof of the death of a member
29 who is entitled to a refund of contributions, a payment, in

1 the amount specified hereafter, shall be paid to his estate
2 or to any person he has nominated by written designation,
3 executed and filed with the administrator [BOARD]. All
4 claims and presentations of proof shall be made within five
5 (5) years of termination of service, or if in membership
6 service at the time of death, within five (5) years after
7 date of death.

8 In the case of a teacher in membership service at the
9 time of death, who has not received any retirement salary,
10 the amount of the payment shall be the sum of (a) his
11 accumulated contributions, as determined under Sec. 16 of
12 this Act, and (b) One Thousand Dollars (\$1,000.00), plus
13 One Hundred Dollars (\$100.00) multiplied by the number of
14 completed school years of membership service, plus an
15 additional sum of Five Hundred Dollars (\$500.00), if the
16 deceased teacher is survived by one or more children under
17 the age of eighteen (18) years at the time of his death;
18 provided, however, that in no case shall the amount payable
19 under provision (b) exceed Three Thousand Dollars (\$3,000.00).

20 In the case of a teacher, who has received retirement
21 salary at the time of death, the payment shall be limited
22 to the amount of his accumulated contributions, together with
23 two percent (2%) simple interest to the date of retirement,
24 less all retirement salary paid the deceased teacher; pro-
25 vided, however, that if a teacher dies within one (1) year
26 after the effective date of disability retirement, as speci-
27 fied in Sec. 14 of this Act, the payment on death shall be
28 the amount specified in the second paragraph of this section,
29 less the amount of any retirement salary previously paid the

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deceased teacher.

Upon the death of a teacher who at the time of death is not in membership service, and who is entitled to a return of his contributions, the accumulated contributions as specified in Sec. 16 of this Act shall be paid to his designated beneficiary or estate. Further, if a teacher dies within one (1) year after leaving membership service, and is entitled to a return of his contributions and has not received such return on all service, and has not filed a claim for disability retirement but would have been eligible for such retirement if claim had been filed, the designated beneficiary or estate shall in addition be entitled to the payment specified in provision (b) of the second paragraph of this section.

Sec. 14. Ch. 145, SLA 1955, as amended by Ch. 142, SLA 1957 is amended by inserting a new Sec. 18 as follows:

Sec. 18. ADMINISTRATION. The Commissioner of Administration is responsible for the administration of the Retirement System and for making effective the provisions of this Act and his powers and duties for this purpose include but are not limited to the following:

(1) To maintain the accounts of the system;

(2) To make payments for the various purposes specified in the Act;

(3) To submit such periodic reports or statements of account as may be required.

Sec. 15. Sec. 19, Ch. 145, SLA 1955 is repealed and re-enacted to read as follows:

Sec. 19. CUSTODY AND INVESTMENT. a. The Commissioner

1 of Revenue shall be the treasurer of the system and shall
2 have powers and duties for this purpose including but not
3 limited to the following:

4 (1) To act as official custodian of the cash and
5 securities belonging to the system and provide adequate
6 safe deposit facilities therefor;

7 (2) To receive all items of cash belonging to the
8 system;

9 (3) To collect the interest and principal on
10 securities acquired by the system and deposit all such
11 amounts in the Retirement Fund maintained in the name of the
12 system;

13 (4) To invest and reinvest the assets of the
14 Retirement Fund in accordance with this section.

15 b. Whenever, in the opinion of the Commissioner of
16 Administration, there is on hand in the Retirement Fund a
17 surplus over and above a reasonably safe amount to take care
18 of current demands upon such fund, such surplus, or so much
19 thereof as in the judgment of the Commissioner of Adminis-
20 tration is deemed proper, may be invested by the Commissioner
21 of Revenue in (1) bonds or other interest bearing obliga-
22 tions and securities of the United States, any state thereof
23 or any political subdivision of any state of the United
24 States, provided such political subdivision has a population
25 as shown by the last federal census preceding such invest-
26 ment of not less than 30,000 inhabitants, except with respect
27 to political subdivisions located in the State of Alaska,
28 no population limitation shall apply, (2) first lien real
29 estate mortgage securities insured by the Federal Housing

Administration under the National Housing Act of the United States, as amended from time to time, and (3) in such corporation bonds, preferred and common stocks as the Commissioner of Revenue may deem to be proper investments for said fund.

c. In making each and all of such investments the Commissioner of Revenue shall exercise the judgment and care under the circumstances then prevailing which men of ordinary prudence, discretion, and intelligence exercise in the management of their own affairs not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital; provided, however, that not more than fifty percent (50%) of the Retirement Fund shall be invested at any given time in corporate stocks and bonds, nor shall more than one percent (1%) of the Retirement Fund be invested in securities issued by any one corporation, nor shall more than five percent (5%) of the voting stock of any one corporation be owned; and provided, further, that stocks eligible for purchase shall be restricted to stocks which, except for bank stocks and insurance stocks, are listed upon an exchange registered with the Federal Securities and Exchange Commission or its successors.

d. Except as hereinbefore provided, the Commissioner of Revenue is authorized and empowered:

(1) to invest and reinvest the principal and income of the Retirement Fund without distinction between principal and income;

(2) to sell, exchange, convey, transfer or other-

1 wise dispose of any investments of the Retirement Fund held
2 in the name of the system by private contract or at public
3 auction;

4 (3) to vote upon any stocks, bonds or other
5 securities; to give general or special proxies or powers of
6 attorney with or without power of substitution; to exercise
7 any conversion privileges, subscription rights or other
8 options and to make any payments incidental thereto; to
9 consent to or otherwise participate in corporate reorganiza-
10 tions or other changes affecting corporate securities and to
11 delegate discretionary powers and to pay any assessments or
12 charges in connection therewith; and generally to exercise
13 any of the powers of an owner with respect to stocks, bonds,
14 securities or other investments held in the Retirement
15 Fund;

16 (4) to make, execute, acknowledge and deliver
17 any and all documents of transfer and conveyance and any
18 and all other instruments that may be necessary or appro-
19 priate to carry out the powers herein granted;

20 (5) to register any investment held in the Re-
21 tirement Fund in the name of the system;

22 (6) to do all acts whether or not expressly
23 authorized which may be deemed necessary or proper for the
24 protection of the investments held in the Retirement Fund.

25 Sec. 16. Sec. 21, Ch. 145, SLA 1955 is amended to read as
26 follows:

27 Section 21. ACTUARIAL EVALUATIONS OF THE RETIREMENT
28 FUND. Actuarial evaluations of the Retirement Fund shall be
29 made at intervals of not more than five (5) years and on the

1 basis of such re-evaluations the administrator [BOARD] may
2 recommend to the state [TERRITORIAL] Legislature any necessary
3 readjustment.

4 Sec. 17. Sec. 22, Ch. 145, SLA 1955 is amended to read as
5 follows:

6 Section 22. EXEMPTION FROM TAXATION AND PROCESS.
7 Teachers' retirement salaries shall be exempt from any state
8 [TERRITORIAL] or municipal tax and shall not be subject to
9 execution, attachment, garnishment or any other process
10 whatsoever.

11 Sec. 18. Sec. 3, Ch. 145, SLA 1955 is repealed.

12 Sec. 19. This Act takes effect on the first day of July,
13 1960.

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