

BY THE COMMITTEE ON RULES
BY REQUEST OF THE
GOVERNOR

1 IN THE SENATE

2 SENATE BILL NO. 108

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIRST LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act creating a Public Employees' Retirement
7 System of Alaska; providing retirement
8 and other benefits for employees of the
9 State of Alaska; providing for the inclusion
10 of certain political subdivisions on an op-
11 tional basis; providing for the financing,
12 maintenance and administration of the system

13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA;

14 Section 1. SYSTEM CREATED. There is hereby created a re-
15 tirement and benefit system for officials and employees of the
16 State of Alaska and of incorporated cities and organized boroughs
17 of the state, and for their dependents and beneficiaries, for the
18 payment of retirement annuities, disability annuities, and death
19 and withdrawal benefits to said officials and employees, and to
20 their dependents and beneficiaries, after stated periods of ser-
21 vice and upon fulfillment of certain conditions as hereinafter
22 set forth.

23 The purpose of such system is to encourage qualified personnel
24 to enter and remain in the service of the State of Alaska and the
25 incorporated cities and organized boroughs thereof by establishing
26 an orderly means whereby those who become superannuated or other-
27 wise incapacitated as the result of age or disability, may be re-
28 tired from service without prejudice and without inflicting a
29 hardship upon the employees retired; and to enable such employees

1 to accumulate reserves for themselves, their dependents, and their
2 beneficiaries, to provide for old-age, death, disability, and
3 termination of employment, thus promoting economy and efficiency
4 in the administration of government.

5 The system created under this Act shall have the powers and
6 privileges of a corporation and shall be known and designated as
7 the "Public Employees' Retirement System of Alaska." By such name
8 all its business shall be transacted, all of its monies shall be
9 invested and all of its cash and securities and other property
10 shall be held.

11 The system shall become operative as of January 1, 1960, at
12 which time contributions by the employees and employer pursuant
13 to the provisions hereof, shall begin. Such date shall be known
14 as the "date of establishment." In the case of an incorporated
15 city or organized borough, the date of establishment shall be the
16 effective date of participation, which effective date shall be the
17 beginning of the fiscal year next succeeding the date of receipt
18 by the board of the ordinance or resolution subscribing to the
19 provisions hereof. All payments by the system shall begin to accrue
20 from the date of establishment.

21 Sec. 2. DEFINITIONS. Words and phrases wherever used in
22 this Act, unless a different meaning is plainly expressed in the
23 context, shall have the following meanings:

24 (1) "System" shall mean the Public Employees Retirement
25 System of Alaska.

26 (2) "State" shall mean the State of Alaska.

27 (3) "Employer" shall mean the State of Alaska, the or-
28 ganized boroughs and the incorporated cities thereof.

29 (4) "Personnel Division" shall mean the Personnel

1 Division of the Department of Administration.

2 (5) "Personnel Director" shall mean the administrative
3 head of the Personnel Division.

4 (6) "Board" shall mean the Personnel Advisory Board of
5 the State of Alaska.

6 (7) "Employee" shall mean any official or employee in
7 the service of an employer, who is employed on a permanent and
8 continuous basis, except: (a) employees whose services are com-
9 pensated on a contractual or fee basis; (b) any casual or part-
10 time employees in a position having duties which will not permit
11 at least six months service during a fiscal year; and (c) teachers
12 or others covered by the Alaska Teachers' Retirement System.

13 (8) "Member" shall mean any employee included in the
14 membership of the system and participating therein as herein pro-
15 vided.

16 (9) "Service" shall mean employment as an employee of
17 the employer for salary, wages, or compensation.

18 (10) "Prior service" shall mean service as an employee
19 of the employer prior to the date of establishment.

20 (11) "Membership service" shall mean service as an
21 employee of the employer on and after the date of establishment
22 while a member of the system.

23 (12) "Outside service" shall mean service rendered to
24 the United States Government, or any territory or possession of
25 the United States, or any state or political subdivision thereof.

26 (13) "Credited service" shall mean prior service, mem-
27 bership service, and outside service as herein provided.

28 (14) "Regular interest" shall mean interest, compounded
29 annually, at such rate as shall be determined by the Commissioner

1 of Administration from the operating experience of the system.
2 For the first five fiscal years of operations, regular interest
3 shall be at the rate of three per cent per annum.

4 (15) "Compensation" shall mean amounts received as
5 pay, salary or remuneration for services rendered, including any
6 cost-of-living adjustments or differentials and including the
7 monetary value, as determined by the Commissioner of Administration
8 of subsistence and maintenance provided by the employer, if any,
9 in partial payment of services. Overtime pay or compensation for
10 special services shall not be included as compensation.

11 (16) "Accumulated contributions" shall mean the amounts
12 contributed by a member as a deduction from compensation, without
13 interest; plus outside service contributions and repayment includ-
14 ing any regular interest on such paid by the employee.

15 (17) "Military service" shall mean service in any
16 military division of the United States.

17 (18) "Average compensation" shall mean the average
18 rate of compensation for any five highest consecutive years of
19 credited service.

20 (19) "Department" shall mean any department, institu-
21 tion, board, agency, or commission of the state government, having
22 the authority to certify payrolls authorizing payments of salary
23 or wages, including the University of Alaska.

24 (20) "In service" shall mean: (a) employment as an
25 employee for partial or total compensation; (b) an employee in
26 military service; or (c) an employee on leave of absence approved
27 by an employer on account of sickness, disability, or other cause;
28 provided such leave of absence shall not have extended continu-
29 ously for more than one year prior to the date of establishment.

1 (21) "Retirement" shall mean the acceptance of a re-
2 tirement annuity by a member upon withdrawal from service of an
3 employer.

4 (22) "Actuarial tables" shall mean such tabular stan-
5 dards as shall have been adopted by the board provided that for
6 the first 5 years of operations of the system, the 1937 Standard
7 Annuity Mortality Table shall be used.

8 (23) "Withdrawal from service" shall mean complete
9 severance of employment of any member as an employee of the em-
10 ployer, by resignation, discharge, or dismissal.

11 (24) "Fiscal year" shall mean the period beginning on
12 July 1 in any year and ending on June 30 of the year next succeed-
13 ing.

14 (25) The masculine pronoun, wherever used, shall include
15 the feminine pronoun.

16 Sec. 3. MEMBERSHIP. The following employees shall be included
17 as members:

18 (1) Any employee in service on the day prior to the date
19 of establishment, having at least 6 months of service, shall be-
20 come a member as of the date of establishment. Any such employee
21 having less than 6 months of service shall become a member upon
22 completion of 6 months of service.

23 (2) Any person who becomes an employee on and after
24 the date of establishment shall become a member as a condition of
25 employment upon completion of 6 months of service, provided such
26 person is under the age of sixty years on the date of entry into
27 the service of the employer. Such person shall have the option
28 of becoming a member immediately upon entry into service and ob-
29 taining coverage for death and disability benefits as herein

1 provided.

2 Any employee becoming a member at the end of the prescribed
3 waiting period may elect to make a contribution for the said
4 period of 6 months in a single sum and receive credit for such
5 service for the purposes hereof, provided such contribution is
6 made within a period of three years from the date such employee
7 became a contributing member.

8 An elected official of an employer shall have the option of
9 becoming a member within 3 months of the date of establishment,
10 or within 3 months after assuming the office to which elected,
11 if elected after such date.

12 Sec. 4. CREDITED SERVICE. (1) Each employee in service on
13 the date of establishment shall receive credit as prior service for
14 all service rendered in any department, division or agency of the
15 employer. Any employee who shall not be in service on the date
16 of establishment, who reenters service thereafter, shall be en-
17 titled to receive credit for prior service when such employee shall
18 have completed at least two years of contributing membership ser-
19 vice following the date of reentry into service.

20 All service by a member as an employee on and after the date
21 of establishment for which contributions have been made shall be
22 creditable as membership service, except as herein otherwise pro-
23 vided.

24 (2) Any employee shall be entitled to credited service
25 for all military service in the United States during war, including
26 the army, navy, marines, air force, coast guard, or any auxiliary
27 thereof, either by enlistment or induction, and for service as
28 a commissioned officer in the United States Public Health Service;
29 provided that such credited service shall be limited to an

1 aggregate period not to exceed five years; and provided that such
2 person was in the service of the employer on the date of entry
3 into military service, and returned to the service of the employer
4 within 90 days after the date of his discharge from military ser-
5 vice other than dishonorable discharge.

6 (3) Prior service credit and membership service credit
7 shall also include such time that a member was in military service

8 (4) Any member shall be entitled to credit as prior
9 service or membership service, as the case may be, for any period
10 of approved leave of absence without compensation, under the rules
11 in force, which shall not exceed an aggregate period of six months
12 during the entire period of credited service of the member.

13 (5) In the computation of credit for prior service or
14 membership service, nine months of service or more during a fiscal
15 year shall constitute a year of service; six to eight months in-
16 clusive, three-quarters of a year; three to five months inclusive,
17 one-half year; less than three months, one quarter of a year. Not
18 more than one year service credit shall be granted for all service
19 rendered during a fiscal year. Fifteen days of service or more
20 during any month shall constitute a month of service; five to
21 fourteen days inclusive, one-half month; less than five days, one-
22 quarter month.

23 (6) A member shall be entitled to credit for outside
24 service; as herein defined, not to exceed ten years upon making a
25 contribution for such service in an amount equal to $3\frac{1}{2}\%$ of the
26 rate of salary in effect on the date he became a member; including
27 regular interest to date of payment provided such outside service
28 is not effective or creditable for pension purposes or pension
29 credit in any other retirement or pension system to which the

1 United States Government, any state, territory or possession of
2 the United States, or any political subdivision or division or
3 department thereof, is a contributor in whole or in part, exclud-
4 ing Social Security by FICA contributions.

5 Sec. 5. CONDITIONS FOR SERVICE RETIREMENT. (1) Any member
6 may retire on service retirement annuity, upon his written appli-
7 cation to the Personnel Director, on the first day of any calendar
8 month occurring not less than 30 days nor more than 90 days subse-
9 quent to the execution and filing of such application, provided
10 that such member has attained the age of 60 years on the date of
11 retirement, or age 55 years in the case of a policeman or fireman,
12 and has at least 10 years of credited service, notwithstanding
13 that withdrawal from service may have occurred prior to the time
14 application is made.

15 (2) Any member, other than a policeman or fireman, who
16 has completed 30 years of credited service may retire on a service
17 retirement annuity at the age of 55 or over, provided that the
18 retirement annuity shall be reduced one-half of one per cent for
19 each month, or fraction thereof, that the member's age is less
20 than 60 years.

21 (3) Any member whose withdrawal from service occurs
22 prior to his attainment of the age of 60 years, or age 55 in the
23 case of a policeman or fireman, who has at least 10 years of
24 credited service and who has not received a refund of his accumu-
25 lated contributions, shall be entitled to receive a deferred ser-
26 vice retirement annuity upon his attainment of the age of 60 years,
27 or age 55 in the case of a policeman or fireman.

28 Sec. 6. AMOUNT OF SERVICE RETIREMENT ANNUITY. Upon retire-
29 ment, a member shall receive a service retirement annuity which

1 shall be an amount equal to one per cent of average compensation.
2 for each year of credited service, for the first 20 years of
3 credited service plus one and one-half per cent of average com-
4 pensation for each year of credited service in excess of 20 years.

5 A proportionate amount of the service retirement annuity shall
6 be determined and granted for a fractional part of a year of ser-
7 vice.

8 Sec. 7. OPTIONS AT RETIREMENT. With the condition that any
9 option elected by a member under the provisions of this section
10 shall not be effective in the event death of the member occurs
11 within 30 days after filing an application for a service retire-
12 ment annuity, a member may elect at the time of retirement to
13 receive, in lieu of the full amount of service retirement annuity,
14 a lesser amount of service retirement annuity, under any of the
15 following options:

16 Option 1. An annuity for 10 years certain and life thereafter.

17 Option 2. An annuity for 20 years certain and life thereafter.

18 Option 3. A Joint and Last Survivor Annuity with a lesser
19 amount of service retirement annuity to the member and the same
20 amount payable throughout the life of and paid to such person
21 having an insurable interest in his life as he shall nominate by
22 written designation duly acknowledged and filed with the Personnel
23 Division at the time of retirement.

24 Option 4. A Joint and Last Survivor Annuity with one-half of
25 the reduced service retirement annuity of the member payable
26 throughout the life of and paid to such person having an insurable
27 interest in his life as he shall nominate by written designation
28 duly acknowledged and filed with the Personnel Division at the
29 time of retirement.

1 Any member entitled to a service retirement annuity who re-
2 tires prior to age 65 may elect that annuity payments prior to
3 age 65 in the case of a male member, or prior to age 62 in the case
4 of a female member, shall be larger in consideration of the primary
5 insurance benefit payable under Title II of the Federal Social
6 Security Act in order that the total income of the member from
7 the system and social security shall be at a uniform rate through-
8 out the lifetime of the member, provided that the aggregate value
9 of all such payments is the actuarial equivalent of the service
10 retirement annuity otherwise payable to such member.

11 Any optional privilege under the provisions of this section
12 shall not be available to a member receiving a disability annuity.

13 Sec. 8. OCCUPATIONAL DISABILITY ANNUITY. Any member who
14 becomes totally and permanently incapacitated for service as the
15 proximate result of bodily injuries sustained or a hazard under-
16 gone while in the performance and within the scope of his duties,
17 if such injuries or hazard were not the consequence of the willful
18 negligence of the member, shall be entitled to receive an occu-
19 pational disability annuity; provided, that application is made
20 not more than six months after the date of the accident if an
21 accidental disability or six months after the occurrence of dis-
22 ablement if an occupational disease and proper proof is received
23 from one or more physicians designated by the board that such
24 member is mentally or physically incapacitated; and provided,
25 further, that notice of the accident shall have been filed in the
26 office of the Personnel Division within thirty days next following
27 the date of the accident.

28 The annuity shall be payable during disability and shall be
29 equal to $66\frac{2}{3}\%$ of the member's rate of compensation at the date

1 of disability. Payments on this annuity shall begin upon termina-
2 tion of any payments made to the member by the employer as full
3 compensation, or part compensation, or any other payment pursuant
4 to workmen's compensation laws.

5 The annuity payable hereunder shall be reduced by any amounts
6 received by the member as a disability insurance benefit under
7 Title II of the Federal Social Security Act. The full amount of
8 annuity shall be payable for any period for which the member shall
9 not be entitled to such benefit.

10 Sec. 9. OCCUPATIONAL DEATH ANNUITY. Upon death of a member
11 before retirement as the proximate result of bodily injuries sus-
12 tained or a hazard undergone while in the performance and within
13 the scope of his duties, if such injuries or hazard were not the
14 consequence of the willful negligence of the member, the surviv-
15 ing widow of the member shall be entitled to an annuity equal to
16 50 per cent of the annual compensation of the member at the date of
17 death of the member, to continue during her widowhood. This
18 annuity shall be increased by 10 per cent of the member's compensa-
19 tion on account of each unmarried minor child under age 18, subject
20 to a maximum payment to a widow and children of 75 per cent of
21 compensation.

22 If there be no widow or if the widow dies or remarries before
23 any child of such deceased member shall have attained the age of
24 18 years, then each child under said age shall receive an annuity
25 of 15 per cent of the member's compensation, to continue until
26 each child attains age 18, subject to a limitation of 60 per cent
27 of compensation to all minor children.

28 If none of the aforementioned beneficiaries is living at the
29 death of the member, no duty-connected death annuity shall be paid

1 under the provisions hereof. Payments on any annuity under this
2 section shall begin upon termination of any payments made to the
3 survivors of the member by the employer as full compensation, or
4 part compensation, or any other payment pursuant to applicable
5 workmen's compensation laws.

6 Adopted children shall be eligible for benefits hereunder,
7 provided the proceedings for adoption shall have been initiated
8 at least one year prior to the date of death of the member.

9 The annuities payable hereunder shall be subject to the
10 modification to the extent that if the total of all such annuities
11 together with the amounts received by the beneficiaries as sur-
12 vivors insurance payments under Title II of the Federal Social
13 Security Act, exceed the rate of salary of the member at the date
14 of death, such annuities shall be reduced to conform to such
15 limitation.

16 Sec. 10. NON-OCCUPATIONAL DISABILITY ANNUITY. Any member
17 having at least five years of credited service who becomes totally
18 and permanently disabled for service, either mentally or physically,
19 from any cause shall be entitled to a non-occupational disability
20 retirement annuity.

21 Such annuity shall begin to accrue upon termination of payments
22 to the employee by the employer of amounts representing full com-
23 pensation, part compensation, or any other form of compensation;
24 provided that if written application for such annuity is not filed
25 with the Personnel Division within sixty days of the date of ter-
26 mination of such compensation payments, the annuity shall begin
27 to accrue as of the day sixty days prior to the date of receipt
28 of such application.

29 A member shall be considered totally and permanently disabled

1 only after the Personnel Division has received (1) written cer-
2 tification by at least two licensed and practicing physicians,
3 selected by the Personnel Director, that the member is totally
4 and likely to be permanently disabled for further performance of
5 the duties of any assigned position in the service of the employer
6 and (2) written certification from the employer that the member has
7 been separated from the service of the employer because of a total
8 and permanent disability of such nature as to reasonably prevent
9 further service for the employer, and as a consequence is not
10 entitled to compensation from the employer.

11 The amount of disability annuity shall be equal to one and
12 one-half per cent of average compensation for each completed year
13 of service at date of disability, subject to a minimum of 30 per
14 cent of average compensation and a maximum of 50 per cent of
15 average compensation. The commencement of payments under this
16 benefit shall be deferred until the expiration of payments to
17 the employee by the employer of any amounts representing full
18 salary, part salary, or any other form of compensation.

19 The annuity payable hereunder shall be reduced by any amounts
20 received by the member as a disability insurance benefit under
21 Title II of the Federal Social Security Act. The full amount of
22 annuity shall be payable for any period for which the member shall
23 not be entitled to such benefit.

24 Sec. 11. ADMINISTRATION OF DISABILITY ANNUITIES. At least
25 once each year during the first five years following the allowance
26 of a disability annuity to any member, and at least once in every
27 three-year period thereafter, until a member's attainment of age
28 55, the Personnel Director shall require any disability beneficiary
29 to undergo a medical examination to be made at the place of

1 residence of said beneficiary, or any other place mutually agreed
2 upon, by a physician or physicians engaged by the Personnel Direc-
3 tor. If an examination indicates that the beneficiary is no
4 longer physically or mentally incapacitated for service in the
5 position held by the member at the date of disability, payments
6 by the system shall be discontinued. The name of such member
7 shall then be placed on the appropriate list of candidates main-
8 tained for appointment to a position for which he is found to be
9 qualified at compensation at least equal to the rate he received
10 at the time he last became a beneficiary.

11 Should any member receiving a disability annuity resume a
12 gainful occupation, and his earnings therefrom, together with
13 his disability annuity, exceed the rate of compensation of the
14 member at the date of retirement, the Personnel Director shall
15 reduce the amount of disability annuity to an amount which, when
16 added to the compensation being earned by the member, shall not
17 exceed the rate of compensation of the member at the date he last
18 became a disability beneficiary.

19 Should any disability beneficiary refuse to submit to a
20 medical examination as herein provided, payments by the system
21 shall be discontinued until his withdrawal of such refusal, and
22 should his refusal continue for one year, all rights of the member
23 in any disability annuity shall be revoked.

24 Sec. 12. DEATH BENEFITS. (1) Upon death of a member while
25 in service, the designated beneficiary or estate of the member
26 shall be entitled to a refund of his contributions, without in-
27 terest. If the member was in receipt of compensation within 12
28 months of the date of death, an additional payment shall be made
29 equal to 50 per cent of the member's rate of annual salary in

1 effect at date of death.

2 (2) Upon death of a member retired for service retire-
3 ment or disability retirement, unless an optional benefit has been
4 elected as provided elsewhere herein, the designated beneficiary
5 or estate of the member shall be entitled to a payment equal to
6 the excess, if any, of the contributions made by the member, with-
7 out interest, over the total amount of annuity payments made by
8 the system, subject to a minimum payment of \$300.00.

9 Sec. 13. REFUND OF CONTRIBUTIONS. Upon withdrawal from
10 service, any member who is not eligible for a service retirement
11 annuity shall be entitled to receive a refund of the total amount
12 of his contributions, without interest. Any member withdrawing
13 from service who does not receive a refund and later returns to
14 service shall receive credit for the amount of credited service
15 in force at the time of his withdrawal from service. Any member
16 receiving a refund shall thereby waive and relinquish all accrued
17 rights in the system including all accrued credited service. The
18 Personnel Director may, in his discretion, withhold payment of a
19 refund for a period not to exceed one year after receipt of an
20 application from a member.

21 Any member who has received a refund shall be considered a
22 new member upon subsequent re-employment if such person qualifies
23 for membership under the provisions hereof. After the completion
24 of at least three years of continuous membership service following
25 his latest re-employment, such member shall have the right to make
26 a repayment to the system of the amount or amounts previously
27 received as refund, including interest at the rate of three per
28 cent per annum, compounded annually, from the dates of refund to
29 the date of repayment. Upon the repayment of such refunds, as

1 herein provided, such member shall have reinstated to his account
2 all service credit represented by the refunds of which repayment
3 was made. Repayment of refunds by any member shall include all
4 refunds received by a member prior to the date of his last with-
5 drawal from service and the method of payment shall be established
6 by the Personnel Advisory Board.

7 Sec. 14. ADMINISTRATION. (1) The retirement system hereby
8 created shall be established as a trust, separate and distinct
9 from all other entities. The responsibility for the proper opera-
10 tion of the system and for making effective the provisions of this
11 Act is hereby vested in the Department of Administration. The
12 Personnel Advisory Board of the Personnel Division of the Depart-
13 ment of Administration shall serve as the Board of Trustees of the
14 system.

15 The board shall have, in addition to the duties arising out
16 of this Act, the following powers and duties:

17 (a) Hold such regular meetings and special meet-
18 ings as may be deemed necessary. All meetings shall be open
19 to the public. The board shall keep a full record of all its
20 proceedings;

21 (b) Adopt with such modifications as it deems
22 proper, rules and regulations recommended by the Personnel
23 Director for making the provisions of this Act effective;

24 (c) Consider and adopt resolutions on matters
25 referred to it by the Personnel Director in connection with
26 changes in policy and revisions of the Act;

27 (d) Investigate and decide on appeal, at the re-
28 quest of any member, decisions of the Personnel Director;

29 (e) Prescribe the policies for the proper

1 operation of the system and carry on any other reasonable
2 activities which are deemed necessary to effectuate the in-
3 tents and purposes of the system in accordance with the
4 provisions of this Act.

5 (2) The system hereby created shall be established as
6 a part of the Personnel Division. The Personnel Director shall
7 be in charge of the detailed affairs of the system. He also shall
8 serve as secretary of the board. He shall administer the business
9 of the system and be responsible for its proper operation. The
10 Personnel Director shall have, in addition to the foregoing
11 authority, the following powers and duties:

12 (a) With the assistance of a technical actuarial
13 advisor, the Personnel Director shall adopt the required
14 actuarial tables, and compile the statistical data necessary
15 for periodic actuarial surveys of the operating experience
16 of the system, which shall be made at least once every five
17 years;

18 (b) Attend all meetings of the board;

19 (c) Certify to the appropriate division of the
20 Department of Administration the payments to be made according
21 to the provisions of the Act;

22 (d) Remit to the appropriate division of the De-
23 partment of Administration for deposit in the name of the
24 state, all monies received for the account of the system;

25 (e) Formulate and recommend to the board rules
26 and regulations to govern the operation of the system;

27 (f) Prepare and submit to the board an annual
28 report and any reports it may request on the operations of
29 the system;

1 Sec. 15. COMMISSIONER OF ADMINISTRATION - LEGAL COUNSEL.
2 The Commissioner of Administration shall be the treasurer of the
3 system and shall perform the following duties:
4 (1) Act as official custodian of the cash and securities
5 belonging to the system and provide adequate safe deposit fac-
6 ilities for the preservation of the securities and hold the cash
7 and securities;
8 (2) Receive all items of cash belonging to the system;
9 (3) Collect the interest and principal on securities
10 acquired by the system and deposit all such amounts in a special
11 trust fund maintained in the name of the system;
12 (4) Maintain the accounts of the system;
13 (5) Make payments for the various purposes specified
14 in the Act;
15 (6) Invest or reinvest funds of the system;
16 (7) Submit such periodic reports or statement of account
17 as may be required;
18 (8) Issue a statement of account to any member who may
19 request it showing the amount of his contributions to the system;
20 (9) As soon as possible following the close of each
21 fiscal year, and in any event within a period of six months
22 following the close of any year, cause to be transmitted to the
23 governor, the legislature, and the board, an annual statement
24 on the operations of the system containing, among other things:
25 (a) a balance sheet; (b) a statement of income and expenditures
26 for the year; (c) a report on an actuarial valuation of its assets
27 and liabilities; (d) a detailed statement of the investments
28 acquired and disposed of during the year; (e) a list of invest-
29 ments owned; and (f) any other statistical and financial data

1 which may be necessary for a proper understanding of the financial
2 condition of the system and the results of its operations. A
3 synopsis of such annual report shall be published for the informa-
4 tion of members of the system.

5 The Attorney General of the state shall be the attorney for
6 the system and shall represent it in any legal proceeding.

7 Sec. 16. INVESTMENTS. The reserves of the system in excess
8 of the cash requirements for current operations shall be invested
9 and reinvested in the following types of securities and under the
10 conditions and limitations herein prescribed:

11 (1) Bonds and notes of the United States Government,
12 including obligations of which both the principal and interest
13 are guaranteed unconditionally by the United States Government;

14 (2) Bonds or notes which are general obligations of any
15 state in the United States, or of any political subdivision there-
16 of, provided such political subdivision had a population as shown
17 by the last federal census preceding such investment of not less
18 than 30,000 inhabitants, other than Alaska or not less than 6,000
19 inhabitants in the State of Alaska, and provided further, that
20 such state or political subdivision thereof has not defaulted for
21 a period longer than thirty days in the payment of interest or
22 principal on any of such general obligations during the period of
23 ten years next preceding such investment;

24 (3) Obligations, including bonds, notes, debentures,
25 and consolidated notes or debentures, of any federal home loan
26 bank or banks, or of the Federal National Mortgage Association;

27 (4) Obligations, including bonds, notes, debentures,
28 and consolidated bonds, notes, or debentures, issued by federal
29 land banks, federal intermediate credit banks, and by banks for

1 cooperatives organized under the laws of the United States;

2 (5) Obligations issued or guaranteed by the Interna-
3 tional Bank for Reconstruction and Development. The total invest-
4 ment in this type of security shall not exceed five per cent of
5 the total amount of investments owned by the fund;

6 (6) Obligations guaranteed by the Government of the
7 Dominion of Canada, or by any Canadian city with a population of
8 not less than 150,000 inhabitants; provided that they are rated
9 "A" or better by any two nationally known security rating concerns,
10 and are payable in United States funds; provided that the invest-
11 ment in any one issue of bonds shall not exceed 10 per cent there-
12 of, and provided that the total investments in Canadian securities
13 shall be limited to 5 per cent of the total investment account of
14 the system;

15 (7) Bonds or other obligations of the Territory of
16 Hawaii, and the Commonwealth of Puerto Rico, provided that the in-
17 vestment in any one issue of bonds of these communities shall not
18 exceed 10 per cent thereof, and that the total investment in all
19 securities of any one of such communities shall be limited to
20 two per cent of the total investment account of the system;

21 (8) Bonds or other evidences of indebtedness issued or
22 guaranteed by any domestic railroad corporation, or in equipment
23 trust certificates, provided interest has been paid by the corpora-
24 tion on any of its indebtedness for at least the five years last
25 past and that these securities bear a rating of "A" or better by
26 any two nationally known security rating concerns. Not more than
27 one per cent of total investments shall consist of any one issue
28 of these bonds, and not more than 10 per cent of total investments
29 shall consist of this type of security;

1 (9) Bonds or other evidences of indebtedness of any
2 domestic public utility corporation, provided interest has been
3 paid by the corporation on any of its indebtedness for at least
4 the five years last past and that these securities bear a rating
5 of "A" or better by any two nationally known security rating con-
6 cerns. Not more than one per cent of total investments shall con-
7 sist of any one issue of these bonds, and not more than 10 per
8 cent of total investments shall consist of this type of security;

9 (10) Bonds or other evidences of indebtedness of any
10 domestic industrial corporation, provided interest has been paid
11 by the corporation on any of its indebtedness for at least the
12 five years last past and that these securities bear a rating of
13 "A" or better by any two nationally known security rating concerns
14 Not more than one per cent of total investments shall consist of
15 any one issue of these bonds, and not more than 10 per cent of
16 total investments shall consist of this type of security;

17 (11) Obligations of any corporation engaged primarily
18 in the finance business, as hereinafter defined, whose net worth
19 as at the end of the last year prior to the date of investment by
20 the fund shall be at least \$50,000,000, provided the securities
21 are rated "A" or better by any two nationally known security
22 rating concerns. The term "finance business" shall mean the
23 purchasing or discounting of accounts or notes receivable or
24 installment obligations; the making of loans secured by tangible
25 or intangible personal property; and the making or the purchase
26 from others of secured or unsecured loans under the Small Loan
27 Act or similar law in the state where made. Not more than one
28 per cent of total investments shall consist of any one issue of
29 such securities, and not more than 10 per cent of total investments;

1 shall consist of this type of security;

2 (12) Beginning July 1, 1960, the Commissioner of
3 Administration may make personal loans to members of the system,
4 provided that the total amount of such loans shall at no time
5 exceed 20 per cent of the total investments of the system includ-
6 ing these loans. Subject to such rules and regulations that the
7 board may prescribe, any member of the system who has at least
8 three years of total service shall have the privilege of borrowing
9 from the retirement system for the following purposes: (a) Medical
10 expenses; (b) Dental expenses; (c) Hospital expenses; (d) Funeral
11 expenses; (e) Down payment on the purchase of real estate to be
12 used in whole or in part as the member's home; and (f) such other
13 purposes as the board may approve.

14 The aggregate amount of loans outstanding as to any member
15 shall not exceed 60 per cent of the member's total contribution
16 credits in the system. Interest on such loans shall be at a
17 rate fixed by the board but shall be not more than 6 per cent per
18 annum. This rate shall include a charge for insurance on loans
19 against death or total and permanent disability, which development
20 shall effect a cancellation of any unpaid balance of a loan and
21 any accrued interest thereon. The principal amount, together with
22 interest thereon, shall be repaid to the system in installments at
23 least equal to 5 per cent of the member's salary, and a rate that
24 will effect a repayment of the loan prior to the member's attain-
25 ment of age 55. Such repayments shall be deducted from the salary
26 of the member at the same time and in the same manner as the
27 member's contributions to the system are deducted.

28 (13) All bonds purchased shall be registered in the name
29 of the system, and no bonds shall be purchased or sold or in any

1 manner hypothecated except by the action of the Commissioner
2 of Administration duly entered in the records of the Department
3 of Administration.

4 Subject to the limitations prescribed in this section, the
5 Commissioner of Administration shall have full power to hold,
6 purchase, sell, assign, transfer, and dispose of any of the se-
7 curities and investments that he shall have acquired, as well as
8 the proceeds thereof. All securities shall be acquired at prices
9 representing the prevailing market values for such securities.

10 Except as otherwise provided herein, no trustee and no em-
11 ployee concerned in the administration of the system shall have
12 any direct interest in the income, gains or profits of any invest-
13 ments of the system, nor shall any such person receive any pay
14 or emolument for service in connection with any investment. No
15 trustee or employee concerned in the administration of the system
16 shall become an endorser or surety or in any manner an obligor for
17 money loaned by or borrowed from the system.

18 All interest derived from investments, and any gains from the
19 sale or exchange of investments, shall be credited to the account
20 of the system.

21 Sec. 17. FINANCING. The various obligations of the system
22 shall be financed in accordance with actuarial reserve require-
23 ments, from contributions by members, contributions by the employer
24 interest income, and other income accruing to the system,

25 (1) Beginning as of the date of establishment, each
26 employee who is a member of the system shall contribute three and
27 one-half per cent of compensation earned and accruing after such
28 date. This contribution shall be made in the form of a deduction
29 from compensation, and shall be made notwithstanding that the

1 compensation paid in cash to such employee shall be reduced there-
2 by below the minimum prescribed by law. Every employee who is a
3 member of the system shall be deemed to consent to the deduction
4 made from his compensation; and payment to such employee of
5 compensation less such deduction shall constitute a full and
6 complete discharge and acquittance of all claims and demands
7 whatsoever for the services rendered by such employee during the
8 period covered by such payment, except as to the benefits pro-
9 vided under this Act.

10 (2) A computation shall be made annually of the reserve
11 requirements for the several annuities and benefits provided in
12 this Act for members and their beneficiaries for services rendered
13 and to be rendered by the members. These reserve requirements
14 shall be financed by contributions by the members as above pro-
15 vided and by contributions by the employer as follows:

16 (a) For service rendered after the date of estab-
17 lishment the employer shall make contributions concurrently
18 with the contributions by the members in an amount which,
19 if paid during such service, and added to the members' con-
20 tributions, together with regular interest, will be suffi-
21 cient to provide actuarial reserves for the several annuities
22 and benefits herein prescribed. For the first five fiscal
23 years of operations, the contributions by the employer shall
24 be three and one-half per cent of members' compensation.

25 (b) For service rendered by the members prior to
26 the date of establishment, the contributions by the employer
27 shall be an amount which, if paid annually over a period of
28 years, not to exceed 30, will amortize at regular interest
29 the accrued liabilities of that part of the several annuities

1 and benefits covering accrued service of the members at
2 the date of establishment. For the first five fiscal years
3 of operations, the contributions by the employer shall be
4 three-fourths of one per cent of members' compensation.

5 The amount of contributions by the employer for the various
6 purposes of the system shall be determined by applying a percentage
7 rate to the aggregate compensation of the members for each regular
8 payroll period and the amounts thus determined shall be paid by
9 the employer to the system concurrently with contributions by the
10 members.

11 The amount required for the employer's contributions to the
12 system shall be included in the executive budget. This amount
13 shall be determined by applying the aforesaid percentage rate to
14 the specified request for personal services for the period covered
15 by the budget to the end that the request for personal services
16 shall consist of the amount budgeted for salaries and the require-
17 ments for the retirement system. The employer shall also provide
18 for the full administrative expense of the system.

19 Sec. 18. ACCOUNTING. An adequate system of accounts and
20 records shall be established and maintained for the system which
21 shall be integrated with the accounts, records, and procedures
22 of the employer to the end that the same shall operate most effec-
23 tively and at minimum expense, and that duplication of records
24 and accounts may be avoided.

25 All assets of the system shall be credited according to the
26 purposes for which they are held in the following described re-
27 served accounts:

28 (1) Members' Contribution Reserve. The amounts con-
29 tributed by the members to the system shall be credited to this

1 reserve. An individual account shall be maintained for each mem-
2 ber, to which shall be credited the amounts of his contributions.
3 A statement of account shall be issued to each member annually,
4 as of the end of each fiscal year, showing the amount of his
5 accumulated contributions.

6 Upon the granting of a service retirement annuity, disa-
7 bility annuities, or occupational death annuity, the accumulated
8 contributions to the credit of the member concerned shall be
9 transferred from this reserve to the retirement reserve. Refund
10 and death benefit payments representing member contributions shall
11 be charged to this reserve.

12 (2) Employer's Contribution Reserve. The amounts con-
13 tributed by the employer under the provisions hereof, for service
14 retirement annuity, disability annuities, occupational death
15 annuity, covering membership service and prior service, and
16 death benefits, shall be credited to this reserve.

17 Upon the granting of a service retirement annuity, duty
18 disability annuities, or occupational death annuity, an amount
19 representing the excess of the actuarial value of the annuity over
20 the accumulated contributions of the member, and the requirements
21 for death benefits, shall be transferred from this reserve to
22 the retirement reserve. If in any year the retirement reserve is
23 insufficient to cover the reserves for the various annuities being
24 paid by the system, the amount of any deficiency shall be trans-
25 ferred from this reserve to the retirement reserve.

26 (3) Retirement Reserve. Upon the granting of a service
27 retirement annuity, disability annuities, or occupational death
28 annuity, the accumulated contributions of the member and an amount
29 representing the excess of the actuarial value of the annuity over

1 such accumulated contributions, shall be transferred to this re-
2 serve from the members' contribution reserve and employer's con-
3 tribution reserve, respectively. All payments on account of any
4 such annuity and death benefits shall be charged to this reserve.

5 All income from investments including gains on investment
6 transactions shall be credited to this reserve. All losses on
7 investment shall be charged to this reserve.

8 Any excess balance in this reserve, as determined by ac-
9 tuarial valuation as of the close of any fiscal year, shall be
10 applied to reduce the employer's contributions for membership
11 service for the fiscal year next following the date of such
12 valuation by an adjustment in the employer's contribution rate.
13 Any deficiency in this reserve shall be removed by an increase
14 in the amount of employer's contribution rate for membership ser-
15 vice and shall be removed by a transfer from the employer's con-
16 tribution reserve.

17 Sec. 19. OBLIGATIONS OF EMPLOYER. It shall be the duty of
18 the employer to furnish the Personnel Division with records con-
19 cerning the periods of service, dates of birth, compensation, new
20 entrants into service, deaths, withdrawals and such other data
21 on the employees as is necessary for the proper and effective
22 operation of the system in accordance with the provisions hereof.

23 It is the intention of this Act that the payment of the re-
24 quired contributions by the employer, all annuities and benefits
25 granted under the provisions of this Act, and all expenses in
26 connection with the administration and operation of the system,
27 are hereby made obligations of the employer to the extent
28 specified herein.

29 Sec. 20. PARTICIPATION BY INCORPORATED CITIES AND ORGANIZED

1 BOROUGH. Any incorporated city or organized borough may elect,
2 by ordinance or resolution of the city council or the borough
3 assembly to become a participant in the system established by
4 this Act.

5 A copy of such ordinance or resolution duly certified, elect-
6 ing to join the system and to make the required contributions
7 thereto under the provisions hereof, shall be filed with the Per-
8 sonnel Division. Such ordinance or resolution shall designate by
9 departmental, divisional, or other definable classification, the
10 employees who are to become members of the system.

11 Membership in the system of any city or organized borough
12 shall be subject to the acceptance and approval of the Personnel
13 Director. The effective date of participation shall be July 1
14 next succeeding the approval of membership in the system, which
15 shall constitute the date of establishment for the purposes of
16 this Act. All persons included in the group of employees desig-
17 nated by the city or borough for membership in the system shall
18 be required to become members subject to the conditions as to
19 membership imposed by the provisions of this Act, shall be en-
20 titled to participate in the benefits prescribed herein and shall
21 make the necessary contributions in accordance with the provisions
22 hereof.

23 The council of any city or the assembly of any organized
24 borough which may desire membership may request a preliminary
25 survey to determine the estimated cost of participation, the
26 benefits to be derived and such other information as may be deemed
27 appropriate. Membership service contributions to the system on
28 the part of the city or borough shall be the same as for the state
29 but prior service contributions shall be at a rate determined by

1 the Personnel Director, with the aid of the actuary, which rate
2 shall be sufficient to amortize the liability for prior service
3 over a period not to exceed 30 years. The cost of any such survey
4 made at the request of the city or borough shall be paid for by
5 the city or borough.

6 Payments to the system by a city or borough representing con-
7 tributions by the employee members shall be due and payable imme-
8 diately upon close of the payroll period for the city or borough
9 for which such contributions were made. Payments to the system
10 by a city or borough representing contributions by the city or
11 borough for membership service on account of the employees parti-
12 cipating in the system shall be due and payable upon close of the
13 payroll period for which such contributions are to be made. The
14 initial payment by a city or borough to the system for prior
15 service shall be due and payable within 30 days of the effective
16 date of participation of such city or borough, and payments on
17 this account thereafter shall be due and payable to the system
18 within 30 days of the anniversary date of participation in the
19 system.

20 Should the city or borough fail to make the required con-
21 tributions within the time prescribed above, the Commissioner of
22 Administration may grant an extension of time of not more than
23 90 days. In the event the city or borough is still in default
24 at the end of the extended period, membership of the city or
25 borough in the system on behalf of employees of the city or
26 borough shall be declared terminated and notice thereof shall be
27 given to the council or assembly of the city or borough. As of
28 a date 90 days following the date of such certification, the
29 actuary of the system shall determine by actuarial valuation, the

1 amount of reserves held on account of each active member and pen-
2 sioner of such city or borough. Each pensioner shall be credited
3 with the actuarial value of the pension being paid according to
4 the actuarial tables in use by the system and shall continue to
5 receive payments from the system at the rate previously granted.
6 Each active member having less than 10 years of service shall be
7 paid a refund of his total contributions. Each active member
8 having 10 years of service or more shall be credited with a
9 reserve sufficient to provide an immediate life annuity if the
10 member is age 60 or over, payments thereon to begin upon termina-
11 tion of service from the city or borough or a paid-up deferred
12 annuity beginning at age 60 if the member is under such age,
13 payments thereon to commence upon termination of service with
14 the city or borough. Such latter member may elect to take a re-
15 fund of his contributions and thereby waive his right to a de-
16 ferred annuity.

17 All other rights and privileges of both active members and
18 pensioners of such city or borough shall thereupon cease, except
19 as to the payment of annuities, either immediate or deferred, pro-
20 vided for these entitled thereto. Notwithstanding anything to the
21 contrary, the system shall not be liable for the payment of
22 annuities or other benefits on account of employees or pensioners
23 of any city or borough for which reserves have not been previously
24 created from funds contributed by the city or borough or its
25 employees for such benefits. In the event an excess credit re-
26 mains in the account of the city or borough upon the death of the
27 last survivor of the members from such city or borough, such
28 excess shall be refundable to the city or borough. If a deficiency
29 in reserves occurs, the system shall have a claim against the city

1 or borough for the payment thereof and such claim shall be en-
2 forceable by appropriate legal action.

3 Sec. 21. VESTING. Each member shall, by virtue of the pay-
4 ment of contributions to this system, receive a vested interest
5 in such contributions, and in consideration of such vested in-
6 terest shall be conclusively deemed to undertake and agree to pay
7 the same and to have them deducted from his compensation as here-
8 in provided.

9 Sec. 22. ANNUITY AND BENEFIT PAYMENTS. The right of any
10 member or other beneficiary to any annuity, benefit, or refund
11 shall accrue as of the date of establishment.

12 Except as herein specifically otherwise provided, any
13 annuity provided herein shall be payable for life in equal monthly
14 installments from the beginning date thereof as fixed by the
15 Personnel Director, first payment to be due as of the end of the
16 month, provided that, for the purpose of effectuating adminis-
17 tration, a smaller pro rata amount may be paid for part of the
18 month when the annuity or benefit payment begins after the first
19 day of the month, or ends before the last day of the month.

20 No annuity or benefit shall be increased, decreased, revoked,
21 or repealed, except for error, or where specifically otherwise
22 provided by this Act.

23 Sec. 23. FRAUD. Any person who shall knowingly make any
24 false statement, or shall falsify or permit to be falsified any
25 record or records of this system, in any attempt to defraud such
26 system as a result of such act, shall be guilty of a misdemeanor,
27 and on conviction thereof by any court of competent jurisdiction,
28 shall be punished by a fine not exceeding \$500.00, or imprison-
29 ment not exceeding twelve months, or both, such fine and imprisonment

1 to be at the discretion of the court. Should any change or error
2 in the records result in any member or beneficiary receiving from
3 the system more or less than he would have been entitled to re-
4 ceive had the records been correct, such error shall be corrected
5 and as far as practicable, future payments shall be adjusted in
6 such manner that the actuarial equivalent of the annuity or
7 benefit which such member or beneficiary was correctly entitled
8 to shall be paid.

9 Sec. 24. EXEMPTIONS. The rights of a person to any annuity,
10 benefit, or right accrued or accruing to any person under the
11 provisions of the Act, and the various monies in the system
12 created by this Act, are hereby exempt from levy and sale, gar-
13 nishment, attachment, or any other legal process whatsoever, and
14 shall be unassignable except as in this Act specifically otherwise
15 provided.

16 Sec. 25. SEPARABILITY OF PROVISIONS. If, regardless of
17 cause, any section, subsection, paragraph, sentence or clause of
18 this Act is held invalid or to be unconstitutional, the remaining
19 sections, subsections, paragraphs, sentences or clauses shall
20 continue in full force and effect, and shall be construed there-
21 after as being the entire provisions of this Act.

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