

Introduced: 2/24/77
Referred: Labor & Management
and State Affairs

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 267

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Public Employees Retirement
7 System."

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

9 * Section 1. AS 39.35.030(b) is amended to read:

10 (b) Three board members [OF THE BOARD] shall be members of the
11 personnel board of the Department of Administration. The remaining
12 two board members [OF THE BOARD] shall be members of the system and
13 elected by the members of the [RETIREMENT] system [FROM AMONG MEMBERS
14 OF THE RETIREMENT SYSTEM].

15 * Sec. 2. AS 39.35.030(c) is repealed and re-enacted to read:

16 (c) The elected board members shall be determined by a majority
17 of votes cast by members of the system. Elections shall be conducted
18 by the board. The term of office of an elected member is six years.
19 A vacancy in an unexpired elective term shall be filled by election
20 for a new six year term.

21 * Sec. 3. AS 39.35.040(4) is amended to read:

22 (4) to act as an appeals board, hold hearings at the
23 request of an employer, employee, surviving spouse [WIDOW], or a
24 beneficiary on decisions made by the administrator, and submit its
25 findings to the administrator;

26 * Sec. 4. AS 39.35.040(5) is amended to read:

27 (5) to have prepared, at least biennially, an actuarial
28 valuation of the total obligations under the system of each employer
29 [THE STATE AND EACH PARTICIPATING POLITICAL SUBDIVISION AND PUBLIC

1 ORGANIZATION] and, on the basis of the valuation and in time for
2 incorporation of the results in the state budget, to certify to the
3 appropriate budgetary authorities of each employer [THE STATE AND EACH
4 PARTICIPATING POLITICAL SUBDIVISION AND PUBLIC ORGANIZATION]:

5 (A) an appropriate contribution rate for all [PARTI-
6 CIPATING] employers, in addition to which the state shall pay the
7 appropriate social security contribution; and

8 (B) an amount appropriate for each [PARTICIPATING]
9 employer to liquidate his past service liability; the board shall
10 have an actuarial and financial experience analysis of the system
11 conducted at appropriate intervals, but no less frequently than
12 once every six years; the actuarial [BIENNIAL] valuations and the
13 actuarial and financial experience analysis shall be prepared and
14 certified by a member of the American Academy of Actuaries;

15 * Sec. 5. AS 39.35.100(b) is amended to read:

16 (b) All income of the pension fund and all disbursements made by
17 the fund shall be credited or charged, whichever is appropriate, to
18 the following accounts:

19 (1) an individual account shall be maintained for each
20 employee to record [WHICH] the amount of his mandatory contributions
21 collected under sec. 160(a) of this chapter [SHALL BE CREDITED AS OF
22 THE DATE OF DEDUCTION OR PAYMENT, AS THE CASE MAY BE]. As of the last
23 day of each calendar year and each fiscal year beginning with June 30,
24 1969, this account shall be credited with interest, by applying one-
25 half of the prescribed rate of interest to the balance in the account
26 as of that date. Upon retirement [GRANTING A PENSION], the amount
27 actuarially determined as necessary to fully fund the benefits to be
28 received shall be transferred first from the employee contribution
29 account and, after the employee contribution account has been exhausted,

1 then from the employer contribution account into the retirement
2 reserve account.

3 (2) An individual account shall be maintained for each
4 employee to record [WHICH] the amount of his voluntary contributions
5 [SHALL BE CREDITED AS OF THE DATE OF DEDUCTION OR PAYMENT, AS THE CASE
6 MAY BE]. As of the last day of each calendar year and each fiscal
7 year beginning with June 30, 1969, this account shall be credited with
8 interest, by applying one-half of the prescribed rate of interest to
9 the balance in the account as of that date. Amounts which, before
10 termination of employment, are withdrawn by an employee from his
11 savings account shall be charged to that account. Upon [AN EMPLOYEE'S]
12 retirement, the amount actuarially determined as necessary to fully
13 fund the benefits to be received shall be transferred first from the
14 employee savings [CONTRIBUTION] account and, after the employee savings
15 [CONTRIBUTION] account has been exhausted, then from the employer
16 contribution account into the retirement reserve account.

17 (3) A separate account for each employer shall be maintained.
18 The account shall be credited with contributions of the employer
19 [EXCEPT THAT CONTRIBUTIONS MADE BY AN EMPLOYER FOR THE PURPOSE OF
20 PROVIDING THE EMPLOYER'S PORTION OF THE TOTAL ADMINISTRATIVE EXPENSE
21 OF THE SYSTEM MAY NOT BE CREDITED TO THIS ACCOUNT]. This account
22 shall be charged with the employer's actuarial charge for pension,
23 death benefits, and other benefits paid under this system to or on
24 behalf of the employee of the employer. After an allowance for
25 interest credited to employee contribution accounts and employee
26 savings accounts, the investment income of the pension fund shall be
27 allocated to each employer asset share account according to the ratio
28 that the average of the assets in an employer's account as of the
29 beginning and as of the end of the fiscal year bears to the total of

1 the average balance of all employers.

2 (4) An expense account shall be maintained for the system.
3 This account shall be [CREDITED WITH ALL CONTRIBUTIONS OF EMPLOYERS
4 FOR THE PURPOSES OF MEETING THEIR RESPECTIVE PROPORTION OF THE TOTAL
5 ADMINISTRATIVE EXPENSES OF THE SYSTEM DURING EACH FISCAL YEAR, AND IT
6 SHALL BE] charged with all disbursements representing administrative
7 expenses incurred by the system. At [THE SURPLUS OR DEFICIENCY OF
8 THIS ACCOUNT AT] the end of the year the expense account shall be
9 allocated to each employer in accordance with (b)(3) of this section
10 [SHALL BE USED IN DETERMINING THE EXPENSE RATE APPLICABLE FOR THE
11 FOLLOWING FISCAL YEAR]. Expenditures from this account shall be
12 included in the governor's budget for each fiscal year and are subject
13 to approval by the legislature.

14 * Sec. 6. AS 39.35.125(b) is amended to read:

15 (b) After an elected official has elected to be included in the
16 system he and his employer are liable for contributions whenever he is
17 a qualified elected official of an [A PARTICIPATING] employer.

18 * Sec. 7. AS 39.35.150 is repealed and re-enacted to read:

19 Sec. 39.35.150. REEMPLOYMENT OF FORMER EMPLOYEES. If a retired
20 employee subsequently becomes an active member, no benefit payments
21 will be made during the period of reemployment. During the period of
22 reemployment, deductions from the employee's salary will be made in
23 accordance with sec. 160 of this chapter. Upon subsequent retirement,
24 the retired employee is entitled to receive an additional pension
25 based on the credited service and the average monthly compensation
26 earned during the period of reemployment in accordance with sec. 370
27 of this chapter.

28 * Sec. 8. AS 39.35.200 is amended to read:

29 Sec. 39.35.200. REFUND UPON TERMINATION OF EMPLOYMENT FOR REASON

1 OTHER THAN DEATH. (a) An inactive employee, not on leave-without-pay
2 status or layoff status, [UPON TERMINATION OF EMPLOYMENT FOR A REASON
3 OTHER THAN DEATH, AN EMPLOYEE] is entitled to receive a refund of the
4 balance [, DETERMINED AS OF THE DATE OF TERMINATION OF EMPLOYMENT,] of
5 (1) his employee contribution account and (2) his employee savings
6 account.

7 (b) If, upon termination of employment, an [THE] employee has
8 credited service of less than five years and has less than \$1,000 in
9 his employee contribution account, a refund of the employee contribu-
10 tion account and the employee savings account must be made. An employee
11 who is reemployed with an [A PARTICIPATING] employer [OF THE SYSTEM]
12 and whose contributions have not been refunded before reemployment is
13 not eligible for a refund.

14 * Sec. 9. AS 39.35.240 is amended to read:

15 Sec. 39.35.240. WITHDRAWAL OF VOLUNTARY CONTRIBUTIONS. An
16 active employee [WHILE AN EMPLOYEE IS EMPLOYED BY AN EMPLOYER, HE] may
17 withdraw his savings account [VOLUNTARY CONTRIBUTIONS AND INTEREST
18 ACCRUED ON THEM, OR PART OF THIS AMOUNT,] only if he receives the
19 consent of the administrator [BOARD]. The administrator [BOARD] may
20 permit a withdrawal before termination of employment only in cases of
21 financial need.

22 * Sec. 10. AS 39.35.250 is repealed and re-enacted to read:

23 Sec. 39.35.250. CALCULATION OF EMPLOYER'S CONTRIBUTION RATE.

24 (a) An employer shall make contributions to the system in amounts
25 determined in accordance with this section. For the purposes of this
26 section, the past service date for each employer is the entry date of
27 the employer or December 31, 1972, whichever is later. After December
28 31, 1972, if amendments to this chapter are enacted which substantially
29 affect benefits accrued before the effective date of the amendment, the

1 past service date will be changed to December 31 of the year immediately
2 preceding that in which the amendment is enacted. The contribution
3 rate is the sum of the consolidated employer rate and the past service
4 rate.

5 (b) As used in (a) of this section, "consolidated employer rate"
6 means the percentage of compensation of all active employees in the
7 system which, if paid over the period of their credited service after
8 their past service date and when combined with all employee contribu-
9 tions, is sufficient to provide the benefits earned after such past
10 service dates. This percentage is uniformly determined for all
11 employers and is applicable to each employer.

12 (c) As used in (a) of this section, "past service rate" means
13 the percentage of compensation of all active employees in the system
14 necessary to provide the annual amount required to amortize the un-
15 funded obligations of the employer for benefits earned before the
16 employer's past service date over a period not to exceed 40 years.
17 The period of amortization begins at the past service date of each
18 employer. The percentage is separately determined for each employer.

19 * Sec. 11. AS 39.35.270 is amended to read:

20 Sec. 39.35.270. AMOUNT OF EMPLOYER'S CONTRIBUTIONS. The amount
21 of each employer's contributions shall be determined by applying the
22 employer's contribution rate to the total [OF ALL] compensation paid
23 to the active [PARTICIPATING] employees of the employer for each
24 payroll period. This [, AND THIS] amount [, PLUS A PERCENTAGE OF THE
25 ANNUAL PAYMENT FOR PAST SERVICE LIABILITY,] shall be remitted by the
26 employer to the administrator in accordance with sec. 610 of this
27 chapter [COMMISSIONER OF ADMINISTRATION]. [THE PERCENTAGE OF THE
28 ANNUAL PAYMENT FOR PAST SERVICE LIABILITY PAYABLE SHALL BE DETERMINED
29 BY A FRACTION, THE NUMERATOR OF WHICH IS ONE AND THE DENOMINATOR OF

1 WHICH IS THE NUMBER OF PAYROLL PERIODS OF THE EMPLOYER IN ONE YEAR.]

2 * Sec. 12. AS 39.35.300 is amended to read:

3 Sec. 39.35.300. EMPLOYMENT WITH THE STATE. (a) An active
4 employee is entitled to credited service [SERVICE CREDIT] for periods
5 [THE ENTIRE PERIOD] of [UNINTERRUPTED] employment with the state after
6 [FOR WHICH HE MAKES CONTRIBUTIONS REQUIRED BY THIS CHAPTER BEGINNING]
7 January 1, 1961, [OR THE LATEST DATE THE EMPLOYEE ENTERED EMPLOYMENT,
8 WHICHEVER IS LATER, AND ENDING WITH THE TERMINATION OF HIS EMPLOYMENT,]
9 regardless of the office, department, division, or agency of the state
10 in which he was employed.

11 (b) A permanent part-time employee of the state receives credited
12 service [SERVICE CREDIT] on a pro rata basis to that which would have
13 been earned as a permanent full-time employee.

14 * Sec. 13. AS 39.35.310 is repealed and re-enacted to read:

15 Sec. 39.35.310. EMPLOYMENT WITH OTHER EMPLOYERS. (a) An
16 active employee is entitled to credited service for periods of employ-
17 ment with a political subdivision or a public or quasi-public organi-
18 zation beginning with the effective date of the employer's partici-
19 pation in the system. The employee is also entitled to credited
20 service for periods of employment as designated in the employer's
21 participation agreement.

22 (b) A permanent part-time employee of a political subdivision or
23 a public or quasi-public organization receives credited service on a
24 basis proportionate to that which would have been earned as a permanent
25 full-time employee.

26 * Sec. 14. AS 39.35.330 is amended to read:

27 Sec. 39.35.330. LEAVE OF ABSENCE [AUTHORIZED ABSENCES]. (a) A
28 leave of absence with pay authorized by an employer will [MAY] not be
29 considered as interrupting employment [, IF THE EMPLOYEE RETURNS TO

1 EMPLOYMENT AFTER THE EXPIRATION OF THE PERIOD OF AUTHORIZED ABSENCE].

2 If the employee is a permanent part-time employee, credited service
3 will be granted on a basis proportionate to that which would have been
4 earned as a permanent full-time employee. [THE BOARD SHALL ADOPT
5 RULES TO GOVERN THE EXTENT TO WHICH PERIODS OF AUTHORIZED ABSENCE
6 SHALL BE CONSIDERED AS CREDITED SERVICE, EXCEPT AS PROVIDED IN THIS
7 CHAPTER.]

8 (b) A leave of absence without pay or layoff status authorized
9 by an employer will be considered as an interruption of employment and
10 no credited service will be granted.

11 * Sec. 15. AS 39.35.340 is amended to read:

12 Sec. 39.35.340. MILITARY SERVICE. (a) A vested [AN] employee
13 is entitled to credited service [SERVICE CREDIT] for active military
14 service in the armed forces of the United States, either by enlistment
15 or induction, if the employee did not receive a dishonorable discharge.
16 The credited service [SERVICE CREDIT] allowed may not exceed an
17 aggregate period of five years. [THE SERVICE CREDIT AVAILABLE TO THE
18 EMPLOYEE UNDER THIS SECTION MAY NOT BE GRANTED UNTIL THE EMPLOYEE
19 BECOMES VESTED IN THE RETIREMENT SYSTEM.] Benefits are not payable on
20 credited service for military service [CREDIT] unless the employee
21 makes retroactive contributions to the system for the period of time
22 that service credit is claimed. However, if the employee was in the
23 employ of an employer on the date of entry into the armed forces and
24 returned to the employ of an employer within 90 days after the date of
25 his discharge from military service, he is not required to make
26 retroactive contributions under this system for the period of credited
27 service [SERVICE CREDIT].

28 (b) In order to obtain credited service [SERVICE CREDIT] under
29 this section, an employee shall make an election to do so and shall

1 verify his period of military service before July 1, 1977 or within
2 one year following the date when the employee first becomes vested
3 under this chapter, if later. When eligibility for credited service
4 for military service [CREDIT] has been established, an indebtedness
5 shall be determined as follows: (1) the employee's actual compensation,
6 or the calculated annual compensation for those employees working less
7 than 12 months, during the calendar year 1976 or the year in which an
8 employee first becomes vested under this chapter, whichever is later,
9 multiplied by (2) six per cent, this product multiplied by (3) the
10 number of years of military service credited under this section.
11 Interest as prescribed by regulation accrues on this indebtedness
12 commencing on July 1, 1977 or one year following the date a person
13 first becomes vested, whichever is later. Any outstanding indebtedness
14 which exists at the time a person is appointed to retirement will
15 necessitate an actuarial adjustment to the benefits payable based upon
16 that military service.

17 (c) A retired employee [PERSON RECEIVING RETIREMENT BENEFITS
18 UNDER THIS CHAPTER] on July 1, 1976 is eligible to receive increased
19 benefits based upon military service as described in (a) of this
20 section. To receive credited service for military service [CREDIT] a
21 retired employee [PERSON] must verify his military service before July
22 1, 1977. When [SUCH SERVICE HAS BEEN] verified, [FOR] a retired
23 employee [PERSON TO RECEIVE MILITARY SERVICE CREDIT, HE] is entitled
24 to receive an increased benefit which shall be actuarially adjusted to
25 reflect his indebtedness for such credit. The indebtedness shall be
26 calculated in the same manner as described in (b) of this section
27 except that it shall be based on the average monthly compensation used
28 in calculating the [RETIREMENT] benefit. The effective date of this
29 increased benefit is the beginning of the month following that in

1 which eligibility has been established.

2 (d) The credited service [SERVICE CREDIT] granted under this
3 section may not be used to satisfy the credited service requirements
4 [COUNT YEARS OF SERVICE FOR THE PURPOSE OF SATISFYING ELIGIBILITY FOR
5 NORMAL RETIREMENT OR AS ELIGIBILITY] for normal retirement [BEFORE
6 REACHING NORMAL RETIREMENT AGE UNDER THIS CHAPTER].

7 (e) A deferred vested employee on July 1, 1976 is eligible to
8 claim credited service under (a) of this section. In order to obtain
9 credited service under this section, an employee must make an election
10 to do so and must verify his period of military service before July 1,
11 1978. When eligibility for military service has been established, an
12 indebtedness shall be determined as follows: the employee's actual
13 compensation, or the calculated annual compensation for those employees
14 working less than 12 months, during the calendar year the employee
15 terminated, shall be multiplied by six per cent; this product shall
16 then be multiplied by the number of years of military service credit
17 under this section. Interest as prescribed by regulation accrues on
18 this indebtedness commencing July 1, 1978. Any outstanding indebtedness
19 which exists at the time a person is appointed to retirement will
20 necessitate an actuarial adjustment to the benefits payable based upon
21 that military service.

22 (f) An employee cannot be credited with active military service
23 in the armed forces of the United States under this section if credit
24 for military service was granted under AS 14.25.

25 * Sec. 16. AS 39.35.350 is repealed and re-enacted to read:

26 Sec. 39.35.350. REINSTATEMENT OF CREDITED SERVICE. (a) An
27 employee who receives a refund of contributions in accordance with
28 sec. 200 of this chapter forfeits corresponding service under this
29 chapter.

1 (b) An employee may reinstate credited service associated with
2 a refund by repaying the total amount of the refund. Interest will
3 accrue from the date of the refund until repayment of the refund or
4 retirement, whichever occurs first. Payments will apply first to
5 accrued interest and then to principal.

6 (c) If, on the date of retirement, an employee has not paid in
7 full the amount of his reinstatement indebtedness, he may irrevocably
8 elect either (1) option one - to receive a refund of the principal
9 paid on the reinstatement indebtedness and forfeit the corresponding
10 credited service, or (2) option two - to cancel the outstanding indebt-
11 edness due by accepting an actuarial reduction to the retirement
12 benefit for life.

13 * Sec. 17. AS 39.35.360(a) is amended to read:

14 (a) An employee who completes three years of service with the
15 state after January 1, 1961, for which he makes contributions required
16 by this chapter is entitled to credited service [SERVICE CREDIT] for
17 employment rendered to the State and former Territory of Alaska before
18 January 1, 1961, regardless of the office, department, division, or
19 agency of the state or territory in which he was employed, including
20 (1) service as a commissioned officer of the United States Public
21 Health Service, (2) service with the United States District court and
22 the United States Commissioner's court serving the Territory and State
23 of Alaska succeeded to by the Alaska court system, (3) persons em-
24 ployed as United States marshals, United States deputy marshals, Civil
25 Aeronautics Administration security guards and [HEAVY EQUIPMENT
26 OPERATORS,] United States Corps of Engineers security guards, (4)
27 Civil Aeronautics Administration heavy equipment operators, [AND] (5)
28 employees of the United States Fish and Wildlife Service, and (6)
29 employees of the Alaska Road Commission and Bureau of Public Roads.

1 The retirement benefits payable to an employee under this section
2 which are attributable to employment rendered to the State and former
3 Territory of Alaska before January 1, 1961, shall be reduced by the
4 amount of the retirement pension benefits paid to him by the United
5 States government for the same period of service.

6 * Sec. 18. AS 39.35.360(b) is amended to read:

7 (b) An employee who is entitled to credited service [SERVICE
8 CREDIT] for employment before January 1, 1961, [PRIOR SERVICE] is not
9 required to make retroactive contributions under this chapter [SYSTEM
10 FOR THE PERIOD OF PRIOR SERVICE CREDIT].

11 * Sec. 19. AS 39.35.360(e) is amended to read:

12 (e) An employee of a detention facility provided by a local
13 government unit to the territorial or state government under AS
14 33.30.060, who continues in state employment upon transfer of the
15 facility to the state, is entitled to credited service [SERVICE
16 CREDIT] for his prior service with the facility if the employee
17 remains in continuous employment with the state until July 1, 1976.
18 To obtain credited service [SERVICE CREDIT] the employee is required
19 to make retroactive contributions for the period of service between
20 January 1, 1961 and the effective date of the transfer of the facility
21 to the state.

22 * Sec. 20. AS 39.35.370 is repealed and re-enacted to read:

23 Sec. 39.35.370. RETIREMENT BENEFITS. (a) A terminated employee
24 is eligible for a normal retirement benefit (1) at age 55 with at
25 least five years credited service, or (2) with at least 20 years of
26 credited service as a peace officer or fireman, or (3) with at least
27 30 years of credited service for all other employees.

28 (b) A terminated employee is eligible for an early retirement
29 benefit at age 50 with at least five years credited service.

1 (c) The monthly amount of a retirement benefit for a peace
2 officer or fireman is two per cent of the average monthly compensation
3 times the years of credited service up through 10 years, plus two and
4 one-half per cent of the average monthly compensation times the years
5 of service over 10 years. For all other employees it is two per cent
6 of the average monthly compensation times the years of service. An
7 actuarial adjustment must be made for an early retirement benefit.

8 (d) The monthly amount of a retirement benefit for a deferred
9 vested member shall be determined in accordance with (c) of this
10 section as it was in effect on the date of the employee's termination
11 of employment.

12 (e) Benefits payable under this section accrue from the first
13 day of the month in which the last of the following requirements
14 occurs: (1) the member meets the eligibility requirements of this
15 section, (2) he terminates his employment, and (3) he applies for
16 retirement. The benefits are payable the last day of the month. If
17 payment is delayed, a retroactive payment shall be made to cover the
18 period of deferment. The last payment shall be made for the month in
19 which a benefit is payable under this section.

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

21 Sec. 39.35.395. VOLUNTARY CONTRIBUTION BENEFIT. The balance of
22 the employee's savings account will be paid in one of the following
23 options as elected by the employee: (1) a lump sum payment; or (2) a
24 life annuity on a full cash refund or term-certain basis; or (3)
25 installments over a designated period of time.

26 * Sec. 22. AS 39.35.400(b) is amended to read:

27 (b) The nonoccupational disability [PENSION] benefits accrue
28 beginning the first day of the month following termination of employ-
29 ment as a result of the disability and are payable the last day of the

1 month. If a final determination granting the benefit [PENSION] is not
2 made in time to pay the benefit [FIRST MONTH'S PENSION] when due, a
3 retroactive payment shall be made to cover the period of deferment.
4 Benefits shall be continued after one year from the date of appoint-
5 ment to nonoccupational disability only if the disabled employee
6 [PERSON] fulfills the requirements set out in (e) of this section.
7 The last payment shall be for (1) the month in which [(1)] the death
8 of the disabled employee occurs, or (2) the month in which the disabled
9 employee recovers from disability, or (3) the month in which the
10 disabled employee ceases to be eligible for disability benefits under
11 the Social Security Act, or (4) the month in which the disabled employee
12 reaches normal retirement age, whichever occurs first.

13 * Sec. 23. AS 39.35.400(e) is amended to read:

14 (e) A disabled employee receiving a nonoccupational disability
15 benefit [PENSION] shall provide the administrator, one year after
16 appointment to disability benefits [RETIREMENT] and once each year
17 thereafter until disability benefits cease, proof of continuing
18 eligibility to receive disability payments under the Social Security
19 Act. If the disabled employee is otherwise ineligible for a social
20 security payment, he shall provide the administrator with sufficient
21 medical evidence once each year to demonstrate that disability payments
22 [BENEFITS] under the Social Security Act would be payable had the
23 employee been otherwise eligible. If the disabled employee fails to
24 provide the administrator with evidence of continuing eligibility for
25 disability payments under the Social Security Act or other medical
26 evidence required by the administrator within 30 days following each
27 anniversary date, the disability benefits [PAYMENTS] from the system
28 shall cease. If that information is subsequently provided to the
29 administrator, benefit payments will resume beginning for the month

1 following that in which the information is provided. When disability
2 payments under the Social Security Act cease, it is the responsibility
3 of the disabled employee to notify the administrator immediately.
4 [UPON NOTIFICATION, THE ADMINISTRATOR SHALL CEASE MAKING DISABILITY
5 PAYMENTS.]

6 * Sec. 24. AS 39.35.410(b) is amended to read:

7 (b) The occupational disability [PENSION] benefits accrue
8 beginning the first day of the month following termination of employ-
9 ment as a result of the disability and are payable the last day of the
10 month. If a final determination granting the benefit [PENSION] is not
11 made in time to pay the benefit [FIRST MONTH'S PENSION] when due, a
12 retroactive payment shall be made to cover the period of deferment.
13 Benefits shall be continued after one year from the date of appointment
14 to occupational disability only if the disabled employee [PERSON]
15 fulfills the requirements set out in (g) of this section. The last
16 payment shall be made for the month in which (1) the death of the
17 disabled employee occurs, or (2) the month in which the disabled
18 employee recovers from disability, or (3) the month in which the
19 disabled employee ceases to be eligible for disability payments [BENE-
20 FIT] under the Social Security Act, or (4) the month the disabled
21 employee reaches normal retirement age, whichever occurs first.

22 * Sec. 25. AS 39.35.410(g) is amended to read:

23 (g) A disabled employee receiving an occupational disability
24 benefit [PENSION] shall provide the administrator, one year after
25 appointment to disability benefits [RETIREMENT] and once each year
26 thereafter until disability benefits cease, proof of continuing
27 eligibility to receive disability payments under the Social Security
28 Act. If a disabled employee is otherwise ineligible for a social
29 security payment, he shall provide the administrator with sufficient

1 medical evidence once each year to demonstrate that disability payments
2 [BENEFITS] under the Social Security Act would be payable had the
3 employee been otherwise eligible. If the disabled employee fails to
4 provide the administrator with evidence of continuing eligibility for
5 disability payments under the Social Security Act or other medical
6 evidence required by the administrator within 30 days following each
7 anniversary date, the disability benefit [PAYMENTS] from the system
8 shall cease. If that information is subsequently provided to the
9 administrator, benefit payments will resume beginning for the month
10 following that in which the information is provided. When disability
11 payments under the Social Security Act cease, it is the responsibility
12 of the disabled employee to notify the administrator immediately.
13 [UPON NOTIFICATION, THE ADMINISTRATOR SHALL CEASE MAKING DISABILITY
14 PAYMENTS.]

15 * Sec. 26. AS 39.35.420 is amended to read:

16 Sec. 39.35.420. NONOCCUPATIONAL DEATH BENEFITS. (a) If the
17 death of an employee occurs from nonoccupational causes after complet-
18 ing less than one year of credited service, the employee's beneficiary
19 shall be paid the balance of: (1) the employee's contribution account;
20 and (2) the employee's savings account. If the death of an employee
21 occurs from nonoccupational causes [BEFORE APPOINTMENT TO RETIREMENT,
22 AND] after completing at least one year but less than five years of
23 credited service, a lump sum death benefit shall be paid to the benefi-
24 ciary of the employee. The amount of the lump sum death benefit shall
25 be \$100 times years [FOR EACH YEAR] of credited service plus \$1,000.
26 The lump sum death benefit is in addition to [A REFUND OF] the balance
27 of the employee's [EMPLOYEE] contribution account and savings account
28 [OF THE DECEASED EMPLOYEE UNDER SEC. 210 OF THIS CHAPTER].

29 (b) If the death of a vested member [AN EMPLOYEE] or a deferred

1 vested member occurs from nonoccupational causes [BEFORE APPOINTMENT
2 TO RETIREMENT AND AFTER COMPLETING AT LEAST FIVE YEARS OF CREDITED
3 SERVICE], the surviving spouse may at his or her discretion receive
4 either the benefits described in (a) of this section or a 50 per cent
5 joint and survivor option based upon credited service to the date of
6 the employee's death or termination [AND PAYABLE TO THE SURVIVING
7 SPOUSE COMMENCING THE FIRST DAY OF THE MONTH FOLLOWING THE DEATH OF
8 THE EMPLOYEE]. Benefits accrue from the first day of the month follow-
9 ing the employee's death and are payable the last day of the month.

10 * Sec. 27. AS 39.35.430(b) is amended to read:

11 (b) If (1) the death of an employee occurs before his retirement
12 and before his normal retirement date, and (2) the proximate cause of
13 death is a bodily injury sustained or a hazard undergone while in the
14 performance and within the scope of his duties, and (3) the injury or
15 hazard is not the proximate result of wilful negligence of the employee,
16 a monthly survivor's pension equal to 40 per cent of his monthly
17 compensation in the month in which he dies shall be paid to his surviv-
18 ing spouse. If there is no surviving spouse the monthly survivor's
19 pension shall be paid in equal parts to the dependent children of the
20 employee [, INCLUDING THOSE ADOPTED, WHO ARE EITHER UNDER 19 YEARS OLD
21 OR UNDER 23 YEARS OLD AND REGISTERED AT AND ATTENDING ON A FULL-TIME
22 BASIS AN ACCREDITED EDUCATIONAL OR TECHNICAL INSTITUTION RECOGNIZED BY
23 THE DEPARTMENT OF EDUCATION]. On the date the normal retirement of
24 the employee would have occurred if he had lived, monthly payments
25 shall equal the monthly amount of the normal retirement benefit to
26 which the employee, had he lived and continued his employment until
27 his normal retirement date, would have been entitled with an average
28 monthly compensation as existed at his death and the credited service
29 to which he would have been entitled.

1 * Sec. 28. AS 39.35.430(c) is amended to read:

2 (c) The first payment of the surviving spouse's pension or of
3 a dependent [THE SURVIVING] child's pension shall accrue from the
4 first day of [BE MADE FOR] the month following the employee's death
5 and is payable the last day of the month. The last [MONTH IN WHICH
6 THE EMPLOYEE DIES AND THE] payment shall [CEASE TO] be made for the
7 last month in which there is an [NO] eligible surviving spouse or
8 child.

9 * Sec. 29. AS 39.35.440(b) is amended to read:

10 (b) Upon the death of a disabled [RETIRED] employee who is
11 receiving or is entitled to receive an occupational disability benefit
12 [PENSION], a surviving spouse's pension equal to 40 per cent of his
13 average monthly compensation shall be paid to his surviving spouse.
14 If there is no surviving spouse, the survivor's pension shall be paid
15 in equal parts to the dependent children of the employee [, INCLUDING
16 THOSE ADOPTED, WHO ARE EITHER UNDER 19 YEARS OLD OR UNDER 23 YEARS OLD
17 AND REGISTERED AT AND ATTENDING ON A FULL-TIME BASIS AN ACCREDITED
18 EDUCATIONAL OR A TECHNICAL INSTITUTION RECOGNIZED BY THE DEPARTMENT OF
19 EDUCATION]. On the date the normal retirement of the employee would
20 have occurred if he had lived, monthly payments shall equal the monthly
21 amount of the normal retirement benefit to which the employee, had he
22 lived and continued his employment until his normal retirement date,
23 would have been entitled with an average monthly compensation as
24 existed at his death and the credited service to which he would have
25 been entitled.

26 * Sec. 30. AS 39.35.440(c) is amended to read:

27 (c) The first payment of the surviving spouse's pension or of
28 a dependent [THE SURVIVING] child's pension shall accrue from the first
29 day of [BE MADE FOR] the month following the [MONTH IN WHICH THE

1 EMPLOYEE DIES AND THE] employee's death and is payable the last day of
2 the month. The last payment [PAYMENTS] shall [CEASE TO] be made for
3 the last month in which there is an [NO] eligible surviving spouse or
4 child.

5 * Sec. 31. AS 39.35.450 is repealed and re-enacted to read:

6 Sec. 39.35.450. JOINT AND SURVIVOR OPTION. (a) Benefits
7 payable under this section are in place of benefits payable under sec.
8 370 of this chapter. Upon filing an application with the admini-
9 strator, an employee may designate his or her spouse or a dependent
10 approved by the administrator as the contingent beneficiary. The
11 benefit shall be determined in accordance with one of the following
12 options elected:

13 (1) the employee is entitled to receive a reduced benefit
14 payable for life, and payments in the amount of 75 per cent of the
15 reduced benefit shall, after the employee's death, be continued to the
16 contingent beneficiary for life;

17 (2) the employee is entitled to receive a reduced benefit
18 payable for life, and payments in the amount of 50 per cent of the
19 reduced benefit shall, after the employee's death, be continued to the
20 contingent beneficiary for life;

21 (3) the employee is entitled to receive a reduced benefit
22 payable during the joint lifetime of the employee and the contingent
23 beneficiary, and payments in the amount of 66 2/3 per cent of the
24 reduced benefit shall, after the death of either the employee or the
25 contingent beneficiary, be continued to the survivor for life.

26 (b) The aggregate of the pension payments expected to be paid to
27 an employee and his contingent beneficiary under the options set out
28 in (a) of this section shall be actuarial equivalent of the pension
29 which the employee is otherwise entitled to receive upon retirement.

1 (c) An employee may elect, change, or revoke an option without
2 the approval of the administrator if his election, change, or revocation
3 is filed in writing with the administrator before the effective date
4 of his retirement.

5 (d) A member, including a deferred vested member, may, regardless
6 of his age, elect a joint and survivor option any time before appoint-
7 ment to receive a retirement benefit.

8 (e) If either the employee or contingent beneficiary dies before
9 the employee is appointed to retirement, the election becomes inopera-
10 tive. Once the employee is appointed to retirement, the election is
11 irrevocable. If a retired employee is reemployed and is subsequently
12 reappointed to retirement, those benefits earned during the period of
13 reemployment are subject to the initial election made under this
14 section, unless the contingent beneficiary is deceased. If the contin-
15 gent beneficiary is deceased, the benefits earned during the period of
16 reemployment are subject to sec. 370 of this chapter or this section
17 if another contingent beneficiary was elected during the period of
18 reemployment. All other benefits earned during prior periods of
19 employment are subject to the election at the time the employee was
20 appointed to retirement. If death occurs from nonoccupational causes
21 during the period of reemployment, those benefits earned while reem-
22 ployed are subject to sec. 420(b) of this chapter. All other benefits
23 earned during prior periods of employment are subject to the election
24 at the time the employee was appointed to retirement. If death occurs
25 from occupational causes during the period of reemployment, all benefits
26 earned during all periods of employment are subject to sec. 430(b) and
27 (c) of this chapter.

28 * Sec. 32. AS 39.35.480 is repealed and re-enacted to read:

29 Sec. 39.35.480. COST-OF-LIVING ALLOWANCE. (a) While residing

1 in the state, a person receiving a benefit under this chapter is
2 entitled to receive a monthly cost-of-living allowance in addition to
3 his basic benefit. The amount of this allowance shall be \$50 or 10
4 per cent of the basic benefit, whichever is greater.

5 (b) A person receiving a cost-of-living allowance under this
6 section shall notify the administrator when he expects to be absent
7 from the state for a continuous period that exceeds 30 days. After
8 that notification, the person is no longer entitled to receive the
9 monthly cost-of-living allowance. Upon his return to the state, and
10 upon notification to the administrator, the person is again entitled
11 to receive the monthly cost-of-living allowance, commencing with the
12 first monthly benefit payment made after notification of the person's
13 return.

14 (c) While residing in the state, a public employee of the Terri-
15 tory of Alaska who participated in the Public Employees' Retirement
16 Act established by ch. 41 SLA 1949, and who retired before the effective
17 date of ch. 102 SLA 1951, is entitled to the cost-of-living allowance
18 equal to 25 per cent of the amount received under ch. 41 SLA 1949.

19 (d) For purposes of this section, "residing in the state" means
20 domiciled and physically present in the State of Alaska. Being absent
21 from the state for a continuous period of 30 days or less does not
22 change a person's status as "residing in the state."

23 * Sec. 33. AS 39.35.490(b) is amended to read:

24 (b) The designation may be changed or revoked by the employee
25 without notice to the beneficiary or beneficiaries at any time. If an
26 employee designates more than one beneficiary, each shall share
27 equally unless the employee specifies a different allocation or
28 preference. The designation of a beneficiary and a change or revoca-
29 tion of a beneficiary shall be made on a form provided by the admini-

1 strator [BOARD] and is not effective until filed with the administrator
2 [BOARD].

3 * Sec. 34. AS 39.35.500 is amended to read:

4 Sec. 39.35.500. SAFEGUARD OF EMPLOYEE FUNDS [NONALIENATION OF
5 AMOUNTS] HELD IN THE SYSTEM. Employee contributions and other amounts
6 held in the pension fund are exempt from Alaska state and local taxes.
7 Amounts [EXCEPT WITH RESPECT TO INDEBTEDNESS OWING TO THE EMPLOYERS,
8 AMOUNTS] held on behalf of, or payable to, any employee or other
9 person who is or may become eligible for benefits under the system are
10 not subject to anticipation, alienation, sale, transfer, assignment,
11 pledge, encumbrance, charge, garnishment, execution, or levy of any
12 kind, either voluntary or involuntary, before being received by the
13 person entitled to the amount under the terms of the system. An
14 attempt to anticipate, alienate, sell, transfer, assign, pledge,
15 encumber, charge, or otherwise dispose of a right to amounts held
16 under the system is void.

17 * Sec. 35. AS 39.35.510 is amended to read:

18 Sec. 39.35.510. VOLUNTARY WAIVER OF BENEFITS. A retired employee
19 may, in writing, request the administrator [BOARD] to suspend, for any
20 period of time, payment of all or part of the benefits to which he is
21 entitled. The administrator [BOARD] shall grant the request and may
22 not require the retired employee to disclose his reason for desiring
23 suspension. Amounts which are suspended pursuant to the request are
24 forfeited. The retired employee may subsequently terminate the suspen-
25 sion by filing a written notice with the administrator [BOARD] which
26 states his desire to revoke the suspension. Upon receipt of the
27 notice, the administrator [BOARD] shall authorize resumption of the
28 retired employee's regular pension payments.

29 * Sec. 36. AS 39.35.546 is amended to read:

1 Sec. 39.35.546. TAX EXEMPTION. Benefits of this chapter are
2 exempt from Alaska state and municipal income taxes.

3 * Sec. 37. AS 39.35.550 is amended to read:

4 Sec. 39.35.550. REQUEST BY POLITICAL SUBDIVISION TO PARTICIPATE
5 AND ADOPTION OF RESOLUTION. A municipality or other political subdivi-
6 sion of the state may request to become an [A PARTICIPATING] employer
7 in this system. The request shall be made after adoption of a resolu-
8 tion by the legislative body of the political subdivision and after
9 approval of the resolution by the person required by law to approve
10 the resolution. A certified copy of the resolution shall be filed
11 with the administrator [DEPARTMENT OF ADMINISTRATION]. If the admini-
12 strator [COMMISSIONER OF ADMINISTRATION] approves the request for
13 participation, the political subdivision is an [A PARTICIPATING]
14 employer of the system.

15 * Sec. 38. AS 39.35.560 is amended to read:

16 Sec. 39.35.560. REQUEST BY PUBLIC ORGANIZATION TO PARTICIPATE
17 AND ADOPTION OF RESOLUTION. A public or quasi-public organization
18 created wholly or partly by, or deriving its powers from, the legis-
19 lature of the state may request to become an [A PARTICIPATING] employer
20 in this system. The request shall be made after adoption of a resolu-
21 tion by the governing body of the public organization. A certified
22 copy of the resolution shall be filed with the administrator [DEPART-
23 MENT OF ADMINISTRATION]. If the administrator [COMMISSIONER OF ADMINI-
24 STRATION] approves the request for participation, the public organiza-
25 tion is an [A PARTICIPATING] employer of the system.

26 * Sec. 39. AS 39.35.610 is amended to read:

27 Sec. 39.35.610. TRANSMITTAL OF CONTRIBUTIONS TO ADMINISTRATOR
28 [COMMISSIONER OF ADMINISTRATION]. The contributions of an employer
29 [THE POLITICAL SUBDIVISION OR PUBLIC ORGANIZATION] and the contributions

1 of its employees shall be transmitted to the administrator [COMMISSIONER
2 OF ADMINISTRATION] as soon as practicable after the close of the
3 payroll period for which the contributions are made. If an employer
4 is delinquent in transferring the contributions for more than 15 days,
5 interest shall be assessed on the outstanding contributions at one and
6 one-half times the most recent actuarially determined rate of earnings
7 for the retirement system from the date that the contributions were
8 originally due.

9 * Sec. 40. AS 39.35.680 is repealed and re-enacted to read:

10 Sec. 39.35.680. DEFINITIONS. In this chapter, unless the
11 context otherwise requires,

12 (1) "active member" means an employee who is employed by an
13 employer, is receiving compensation for seasonal, permanent full-time,
14 or permanent part-time services, and is making contributions to the
15 system;

16 (2) "actuarial adjustment" means equality in value of the
17 aggregate expected payments under two different forms of pension
18 payments, considering expected mortality and interest earnings on the
19 basis of tables adopted from time to time by the board;

20 (3) "administrator" means the person appointed by the
21 commissioner of administration under sec. 50 of this chapter;

22 (4) "average monthly compensation" means the result obtained
23 by dividing the compensation earned by an employee during a considered
24 period by the number of months, including fractional months, for which
25 compensation was earned; the considered period consists of the three
26 consecutive calendar years during the period of credited service which
27 yields the highest average, or if the employee does not have three
28 consecutive calendar years, his period of credited service; an employee
29 must have at least 120 days of credited service in the last calendar

1 year in order to be used as part of the three consecutive calendar
2 years;

3 (5) "beneficiary" means a person designated by an employee
4 to receive benefits that may be due from the system upon the employee's
5 death;

6 (6) "board" means the Public Employee's Retirement Board;

7 (7) "calendar year" means the period beginning on January 1
8 and ending on December 31;

9 (8) "compensation" means the total remuneration earned by
10 an employee for personal services rendered, including cost-of-living
11 differentials, but does not include retirement benefits, welfare
12 benefits, per diem, expense allowances, or sick leave or annual leave
13 not used by the employee;

14 (9) "credited service" means the number of years, including
15 fractional years, recognized for computing benefits that may be due
16 from the system;

17 (10) "deferred vested member" means an inactive member who
18 meets the five year credited service requirement to qualify for a
19 retirement benefit;

20 (11) "dependent child" means an unmarried child of an
21 employee, including one adopted, who is dependent upon the employee
22 for support and who is either (A) under 19 years old or (B) under 23
23 years old and registered at and attending on a full-time basis an
24 accredited educational or technical institution recognized by the
25 Department of Education; age restrictions set out in this subsection
26 do not apply to a child who is totally and permanently disabled;

27 (12) "disabled member" means an employee who is terminated,
28 who has not received a refund from the system and is receiving a
29 disability benefit from the system;

1 (13) "early retirement" means retirement for a member who
2 is at least 50 years old and has a minimum of five years credited
3 service;

4 (14) "elected official" means a member whose compensation
5 results from personal services rendered as an elected representative
6 and who elects coverage under sec. 125 of this chapter;

7 (15) "employee contribution account" means the account
8 maintained by the system to record the mandatory contributions of each
9 employee, including interest and adjustments to the account in accord-
10 ance with sec. 100 of this chapter;

11 (16) "employee savings account" means the account maintained
12 by the system to record the voluntary contributions of each employee,
13 including interest and adjustments to the account in accordance with
14 sec. 100 of this chapter;

15 (17) "employer" means the State of Alaska or a political
16 subdivision or public or quasi-public organization of the state which
17 participates in the system;

18 (18) "fiscal year" means the period beginning on July 1 and
19 ending on June 30 of the following calendar year;

20 (19) "former member" means an employee who is terminated
21 and who has received a total refund of the balance of his employee
22 contribution account, or who has requested in writing a refund of the
23 balance in his employee contribution account, or who is eligible for
24 a refund under sec. 200(b) of this chapter;

25 (20) "inactive member" means an employee who is terminated
26 and who has not received a refund from the system or an employee on
27 leave-without-pay status or layoff status;

28 (21) "member" or "employee"

29 (A) means a person eligible to participate in the

1 system and who is covered by the system;

2 (B) includes

- 3 (i) active member;
- 4 (ii) inactive member;
- 5 (iii) vested member;
- 6 (iv) deferred vested member;
- 7 (v) non-vested member;
- 8 (vi) disabled member;
- 9 (vii) retired member;

10 (C) does not include

- 11 (i) former members;
- 12 (ii) persons compensated on a contractual or fee
- 13 basis;
- 14 (iii) casual, emergency or temporary workers;
- 15 (iv) persons covered by the Alaska Teachers'
- 16 Retirement System;

17 (v) employees of the Division of Marine Trans-

18 portation engaged in operating the state ferry system who

19 are covered by a union or group retirement system to which

20 the state makes contributions; and

21 (vi) justices of the supreme court or judges of

22 the superior or district courts of Alaska;

23 (22) "military service" means active duty service in the

24 armed forces of the United States;

25 (23) "nonoccupational disability" means a physical or

26 mental condition which, in the judgment of the administrator, presum-

27 ably permanently prevents an employee from satisfactorily performing

28 his usual duties for his employer or the duties of another position or

29 job which his employer makes available and for which the employee is

1 qualified by training or education, not including a condition resulting
2 from a cause which the board, in its rules, has excluded;

3 (24) "non-vested member" means an active or inactive member
4 who does not meet the five year credited service requirement to qualify
5 for a retirement benefit;

6 (25) "normal retirement" means retirement for a member who
7 is at least 55 years old and has a minimum of five years credited
8 service, or who is any age and has 30 years or more of credited service,
9 or a peace officer or fireman who is any age and has 20 years or more
10 of credited service;

11 (26) "occupational disability" means a physical or mental
12 condition which, in the judgment of the administrator, presumably
13 permanently prevents an employee from satisfactorily performing his
14 usual duties for his employer; however, the proximate cause of the
15 condition must be a bodily injury sustained, or a hazard undergone,
16 while in the performance and within the scope of the employee's
17 duties and not the proximate result of the wilfull negligence of the
18 employee;

19 (27) "peace officer" or "fireman" means an employee occupy-
20 ing a position, as a peace officer, chief of police, correctional
21 officer, correctional superintendent, qualified employee of the Depart-
22 ment of Fish and Game, fireman, or fire chief;

23 (28) "pension fund" means all assets held in the name of
24 the system;

25 (29) "permanent full-time" means an employee who is occupy-
26 ing a permanent position which regularly requires working 30 or more
27 hours a week;

28 (30) "permanent part-time" means an employee who is occupy-
29 ing a permanent position which regularly requires working at least 15

1 hours but less than 30 hours a week;

2 (31) "prescribed rate of interest" means the rate of
3 interest used for computing employer contributions, for preparing
4 actuarial tables used by the system and for crediting interest to
5 employee contributions and savings accounts, and for charging interest
6 on employee indebtedness accounts;

7 (32) "qualified employee of the Department of Fish and
8 Game" means a full-time employee of that department whose duties
9 necessitate a significant amount of field work, travel, or exposure to
10 hazardous working conditions, and who holds a position which is desig-
11 nated as complying with the requirements of this section by regulations
12 adopted by the commissioner of administration after consultation with
13 the commissioner of fish and game, except that other personnel of that
14 department are not excluded by this paragraph from status as an
15 "employee" under (5) of this section;

16 (33) "retired member" means an employee who is terminated,
17 who has not received a refund from the system and is receiving a
18 benefit other than disability, from the system;

19 (34) "retirement" means that period of time from the first
20 day of the month following (1) the date of termination and (2) applica-
21 tion for retirement, in which a person is appointed to receive a
22 retirement benefit, other than occupational or nonoccupational disability
23 benefit;

24 (35) "seasonal" refers to an employee who is occupying a
25 position for less than 12 months each year where it is anticipated
26 that the same employee will return to the position when needed;

27 (36) "surviving spouse" means the spouse of an employee who
28 has been married to the employee for at least one year at the time of
29 the employee's death; the one year marriage requirement does not apply

1 to cases where the employee's death was an occupational or accidental
2 death;

3 (37) "system" means the Public Employee's Retirement
4 System of Alaska;

5 (38) "vested member" is an active member who meets the five
6 year credited service requirement to qualify for a retirement benefit.

7 * Sec. 41. The following laws are repealed: AS 39.35.130 - 39.35.140;
8 39.35.190; 39.35.210 - 39.35.220; 39.35.320; 39.35.380 - 39.35.390; 39.35.-
9 440(d); and 39.35.485(b).