

Original sponsors: Miller, Beirne,  
Bradley, et al

Offered: 5/27/77  
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 343 (Finance) am S

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 teachers' and public employees'  
7 retirement; and providing for an effective date."

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

9 \* Section 1. AS 14.25.050 is amended by adding a new subsection to read:

10 (b) Each teacher is entitled to receive credit for unrefunded  
11 contributions paid into the retirement fund of 1945.

12 \* Sec. 2. AS 14.25.055 is amended to read:

13 Sec. 14.25.055. SUPPLEMENTAL CONTRIBUTION BY TEACHERS [A TEACHER].

14 If a teacher is married or has a minor child and wishes to make his  
15 spouse or minor child eligible for a spouse's pension or a survivor's  
16 allowance, he may elect to make a supplemental contribution of an  
17 additional one per cent of his base salary within 90 days of his entry  
18 into participation in the system, [OR WITHIN 90 DAYS FOLLOWING THE FIRST  
19 DAY ON WHICH HE IS ENTITLED TO MAKE THE ELECTION,] or within 90 days of  
20 his marriage, or within 90 days of the birth or adoption of a child  
21 dependent upon him, or during any open enrollment period authorized by  
22 the Teachers' Retirement System Board.

23 \* Sec. 3. AS 14.25.060 is repealed and re-enacted to read:

24 Sec. 14.25.060. ARREARAGE INDEBTEDNESS. (a) If a member joined  
25 the system before July 1, 1977 and has creditable outside service, or  
26 if a member has military service or Alaska Bureau of Indian Affairs  
27 (BIA) service, the member is indebted to the retirement fund as follows:

28 (1) At the time of first becoming a member of the system, the  
29 arrearage indebtedness is seven per cent of the base salary multiplied

1 by the total number of years of creditable outside, military and Alaska  
2 BIA service. Compound interest at the rate prescribed by regulation  
3 shall be added to the arrearage indebtedness beginning July 1, 1963,  
4 or at the time of first becoming employed as a member, whichever is  
5 later, to the date of payment or the date of retirement, whichever occurs  
6 first.

7 (2) If a member terminates from the system and is subsequently  
8 reemployed as a member, the arrearage indebtedness to the retirement  
9 fund for outside, military, or Alaska BIA service accumulated in the  
10 interim is seven per cent of the base salary upon reentering membership  
11 service, multiplied by the number of years of interim outside, military,  
12 and Alaska BIA service. Compound interest at the rate prescribed by  
13 regulation shall be added to the arrearage indebtedness beginning July 1,  
14 1963, or the date of reemployment as a member, whichever is later, to  
15 the date of payment or the date of retirement, whichever occurs first.

16 (b) If a member joins the system on or after July 1, 1978 and  
17 has creditable outside service, the member may claim this service. If  
18 claimed, the member is indebted to the retirement fund as follows:

19 (1) The arrearage indebtedness is the full actuarial cost of  
20 providing benefits for the service being claimed. Compound interest at  
21 the rate prescribed by regulation shall be added to the arrearage  
22 indebtedness beginning the date the actuarial cost is established to the  
23 date of payment or the date of retirement, whichever occurs first.

24 (2) If a member terminates from the system and is subsequent-  
25 ly reemployed as a member, the arrearage indebtedness for outside service  
26 during the interim is the full actuarial cost of providing benefits for  
27 the interim service being claimed. Compound interest at the rate  
28 prescribed by regulation shall be added to the arrearage indebtedness  
29 beginning the date the actuarial cost is established to the date of

1 payment or the date of retirement, whichever occurs first.

2 (c) The total military service claimed may not exceed five years.  
3 The combined total of outside and military service may not exceed 10  
4 years, except that, if entry into the armed forces is immediately pre-  
5 ceded by membership service and within one year after discharge is con-  
6 tinued by membership service, that service will not be counted for pur-  
7 poses of determining the applicability of the 10 year limitation on the  
8 combined total of outside and military service. The combined total of  
9 outside, military, and Alaska BIA service may not exceed 15 years.

10 \* Sec. 4. AS 14.25 is amended by adding new sections to read:

11 Sec. 14.25.061. RETROACTIVE INDEBTEDNESS. (a) A member who was  
12 not subject to the provisions of this chapter, but who becomes subject  
13 to them because of a legislative change, may elect to receive credit for  
14 retroactive creditable service by contributing to the retirement fund an  
15 amount equal to the contributions he would have made had he been subject  
16 to the provisions of this chapter for those years of creditable service  
17 after June 30, 1955. Retroactive contributions are not required for  
18 creditable service before July 1, 1955. Compound interest at the rate  
19 prescribed by regulation shall be added to the retroactive indebtedness  
20 from July 1, 1966 or the time of first becoming eligible under this  
21 chapter, whichever is later, to the date of payment or the date of  
22 retirement, whichever occurs first.

23 (b) If retroactive indebtedness contributions have been made for  
24 creditable service before July 1, 1955, the member is entitled to a  
25 refund of those retroactive indebtedness contributions.

26 (c) A refund of retroactive indebtedness contributions for re-  
27 troactive service before July 1, 1955 is not subject to the repayment  
28 provision of sec. 62 of this chapter.

29 Sec. 14.25.062. REINSTATEMENT INDEBTEDNESS. If a teacher who has

1 received a refund of contributions in accordance with sec. 150 of this  
2 chapter is reemployed in membership service, he is indebted to the  
3 retirement fund in the amount of the total refund. Compound interest at  
4 the rate prescribed by regulation shall be added to the reinstatement  
5 indebtedness from the date of the refund to the date of repayment or the  
6 date of retirement, whichever occurs first.

7 \* Sec. 5. AS 14.25.100 is amended by adding a new subsection to read:

8 (e) A teacher may not be credited with service in the armed  
9 forces under this section if credit for military service was granted  
10 under the public employees' retirement system (AS 39.35).

11 \* Sec. 6. AS 14.25.142 is repealed and re-enacted to read:

12 Sec. 14.25.142. COST-OF-LIVING ALLOWANCE. (a) While residing in  
13 the state, a person receiving a benefit under this chapter is entitled to  
14 receive a monthly cost-of-living allowance in addition to his basic bene-  
15 fit. The amount of this allowance is 10 per cent of the basic benefit.

16 (b) A person receiving a cost-of-living allowance under this  
17 section shall notify the administrator when he expects to be absent from  
18 the state for a continuous period that exceeds 60 days. After that  
19 notification, the person is no longer entitled to receive the monthly  
20 cost-of-living allowance. Upon his return to the state, and upon noti-  
21 fication to the administrator, the person is again entitled to receive  
22 the monthly cost-of-living allowance, commencing with the first monthly  
23 benefit payment made after notification of the person's return.

24 (c) For purposes of this section, "residing in the state" means  
25 domiciled and physically present in the State of Alaska. Being absent  
26 from the state for a continuous period of 60 days or less does not  
27 change a person's status as "residing in the state."

28 \* Sec. 7. AS 14.25.143 is amended by adding a new subsection to read:

29 (d) A person receiving benefits under this chapter shall be

1 granted a 10 per cent increase in his current base benefit if he was  
2 receiving benefits on July 1, 1976. The increase shall be effective  
3 July 1, 1977.

4 \* Sec. 8. AS 14.25.150 is repealed and re-enacted to read:

5 Sec. 14.25.150. REFUND UPON TERMINATION. A terminated member is  
6 entitled to a refund of the balance of (1) his mandatory contributions  
7 and accrued interest, and (2) his indebtedness principal contributions.  
8 A member is not entitled to a refund of his supplemental contributions  
9 except as provided in sec. 160(a) of this chapter.

10 \* Sec. 9. AS 14.25.162(a) is amended to read:

11 (a) If a teacher dies while in membership service or while re-  
12 ceiving a service or disability retirement salary [OR AFTER NORMAL RETIRE-  
13 MENT] and leaves a minor child, his surviving spouse is entitled to a  
14 survivor's allowance if the teacher has made a supplemental contribution  
15 for at least one year before his death, but if a guardian has been  
16 appointed for a minor child, the guardian is entitled to the allowance.  
17 A minor child who has neither a surviving parent nor a guardian is  
18 entitled to the allowance. If a minor child who is at least 19 years old  
19 but less than 23 years old is out of school for more than one semester,  
20 payments of his benefits terminate permanently. A teacher's child who is  
21 totally and permanently disabled before he is 19 years old or, if he is  
22 attending school and becomes totally and permanently disabled before he  
23 is 23 years old, and who is financially dependent on the teacher at the  
24 time of the teacher's death is entitled to the benefits under this sec-  
25 tion until he dies or is no longer totally and permanently disabled.  
26 Application for the survivor's allowance shall be made in writing to the  
27 administrator.

28 \* Sec. 10. AS 14.25.162(b) is amended to read:

29 (b) The amount of the survivor's allowance for each minor child

1 shall be equal to [EITHER (1)] 10 per cent of the teacher's base salary  
2 immediately before his death, [OR AFTER NORMAL] retirement, or becoming  
3 disabled [FOR EACH MINOR CHILD, OR (2) 40 PER CENT OF THE BASE SALARY,  
4 WHICHEVER IS LESS]. However, if there are five or more minor children,  
5 the total amount paid to those children shall be 40 per cent of the  
6 teacher's base salary before his death, retirement, or becoming dis-  
7 abled, paid in equal amounts to each child. In addition, an allowance  
8 of 35 per cent of the teacher's base salary shall be paid to his sur-  
9 iving spouse. If there is no surviving spouse, [IF THE SPOUSE IS  
10 ENTITLED TO THE SURVIVOR'S ALLOWANCE AND IS NOT REMARRIED, AND] an  
11 allowance of 10 per cent of the base salary shall be paid to a court  
12 appointed guardian [ENTITLED TO THE SURVIVOR'S ALLOWANCE]. The [NEITHER  
13 THE REMARRIAGE OF A SURVIVING SPOUSE NOR THE] adoption of a minor child  
14 by a new spouse of a surviving spouse will not bar the minor child from  
15 [RECEIVING OR] continuing to receive a [HIS] survivor's allowance. If  
16 more than one guardian is appointed, the allowance, including the 10 per  
17 cent additional allowance, shall be paid according to the number of  
18 minor children assigned to each guardian.

19 \* Sec. 11. AS 14.25.164(a) is repealed and re-enacted to read:

20 (a) If the death of a teacher occurs while in membership service  
21 or while receiving a disability retirement salary, a spouse's pension is  
22 payable under this section only if supplemental contributions under sec.  
23 55 of this chapter have been made for at least one year before the  
24 teacher's death. If the death of a retired teacher or deferred vested  
25 member occurs, a spouse's pension is payable under this section only if  
26 supplemental contributions under sec. 55 of this chapter have been made  
27 for at least five years before the teacher's retirement or termination.  
28 Application for the spouse's pension shall be made in writing to the  
29 administrator. Benefits are not payable under this section if benefits

1 are being paid under sec. 162 of this chapter.

2 \* Sec. 12. AS 14.25.220(23) is repealed and re-enacted to read:

3 (23) "normal retirement" means retirement after

4 (A) completing at least 15 years of creditable service,  
5 the last five of which have been membership service, for a member  
6 first hired before July 1, 1975 and attaining the age of 55 years;

7 (B) completing at least eight years of membership ser-  
8 vice and attaining the age of 55 years;

9 (C) completing at least 25 years of creditable service,  
10 the last five of which are membership service;

11 (D) completing at least five years of membership service  
12 and at least three years Alaska BIA service and attaining the age  
13 of 55 years;

14 (E) completing at least 20 years of membership service;  
15 or

16 (F) completing at least 20 years of combined membership  
17 service and Alaska BIA service, the last five of which are member-  
18 ship service;

19 \* Sec. 13. AS 14.25.220(24) is repealed and re-enacted to read:

20 (24) "early retirement" means retirement after

21 (A) completing at least 15 years of creditable service,  
22 the last five of which have been membership service, and attaining  
23 the age of 50 years for a member first hired before July 1, 1975;

24 (B) completing at least eight years of membership service  
25 and attaining the age of 50 years; or

26 (C) completing at least five years of membership service  
27 and at least three years of Alaska BIA service and attaining the  
28 age of 50 years;

29 \* Sec. 14. AS 39.35.030(b) is amended to read:

1 (b) Three board members [OF THE BOARD] shall be members of the  
2 personnel board of the Department of Administration. The remaining two  
3 board members [OF THE BOARD] shall be members of the system and elected  
4 by the members of the [RETIREMENT] system [FROM AMONG MEMBERS OF THE  
5 RETIREMENT SYSTEM].

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

7 (c) The elected board members shall be determined by a majority of  
8 votes cast by members of the system. Elections shall be conducted by  
9 the board. The term of office of an elected member is six years. A  
10 vacancy in an unexpired elective term shall be filled by election for a  
11 new six year term.

12 \* Sec. 16. AS 39.35.040(4) is amended to read:

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

17 \* Sec. 17. AS 39.35.040(5) is amended to read:

18 (5) to have prepared, at least biennially, an actuarial  
19 valuation of the total obligations under the system of each employer  
20 [THE STATE AND EACH PARTICIPATING POLITICAL SUBDIVISION AND PUBLIC  
21 ORGANIZATION] and, on the basis of the valuation and in time for  
22 incorporation of the results in the state budget, to certify to the  
23 appropriate budgetary authorities of each employer [THE STATE AND EACH  
24 PARTICIPATING POLITICAL SUBDIVISION AND PUBLIC ORGANIZATION]:

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

28 (B) an amount appropriate for each [PARTICIPATING]  
29 employer to liquidate his past service liability; the board shall

1 have an actuarial and financial experience analysis of the system  
2 conducted at appropriate intervals, but no less frequently than  
3 once every six years; the actuarial [BIENNIAL] valuations and the  
4 actuarial and financial experience analysis shall be prepared and  
5 certified by a member of the American Academy of Actuaries;

6 \* Sec. 18. AS 39.35.100(b) is amended to read:

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

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

22 (2) An individual account shall be maintained for each  
23 employee to record [WHICH] the amount of his voluntary contributions  
24 [SHALL BE CREDITED AS OF THE DATE OF DEDUCTION OR PAYMENT, AS THE CASE  
25 MAY BE]. As of the last day of each calendar year and each fiscal year  
26 beginning with June 30, 1969, this account shall be credited with  
27 interest, by applying one-half of the prescribed rate of interest to the  
28 balance in the account as of that date. Amounts which, before termi-  
29 nation of employment, are withdrawn by an employee from his savings

1 account shall be charged to that account. Upon [AN EMPLOYEE'S] retire-  
2 ment, the amount actuarially determined as necessary to fully fund the  
3 benefits to be received shall be transferred first from the employee  
4 savings [CONTRIBUTION] account and, after the employee savings [CONTRI-  
5 BUTION] account has been exhausted, then from the employer contribution  
6 account into the retirement reserve account.

7 (3) A separate account for each employer shall be maintained.  
8 The account shall be credited with contributions of the employer [EXCEPT  
9 THAT CONTRIBUTIONS MADE BY AN EMPLOYER FOR THE PURPOSE OF PROVIDING THE  
10 EMPLOYER'S PORTION OF THE TOTAL ADMINISTRATIVE EXPENSE OF THE SYSTEM MAY  
11 NOT BE CREDITED TO THIS ACCOUNT]. This account shall be charged with  
12 the employer's actuarial charge for pension, death benefits, and other  
13 benefits paid under this system to or on behalf of the employee of the  
14 employer. After an allowance for interest credited to employee contri-  
15 bution accounts and employee savings accounts, the investment income of  
16 the pension fund shall be allocated to each employer asset share account  
17 according to the ratio that the average of the assets in an employer's  
18 account as of the beginning and as of the end of the fiscal year bears  
19 to the total of the average balance of all employers.

20 (4) An expense account shall be maintained for the system.  
21 This account shall be [CREDITED WITH ALL CONTRIBUTIONS OF EMPLOYERS FOR  
22 THE PURPOSES OF MEETING THEIR RESPECTIVE PROPORTION OF THE TOTAL ADMIN-  
23 ISTRATIVE EXPENSES OF THE SYSTEM DURING EACH FISCAL YEAR, AND IT SHALL  
24 BE] charged with all disbursements representing administrative expenses  
25 incurred by the system. At [THE SURPLUS OR DEFICIENCY OF THIS ACCOUNT  
26 AT] the end of the year the expense account shall be allocated to each  
27 employer in accordance with (b)(3) of this section [SHALL BE USED IN  
28 DETERMINING THE EXPENSE RATE APPLICABLE FOR THE FOLLOWING FISCAL YEAR].  
29 Expenditures from this account shall be included in the governor's budget

1 for each fiscal year and are subject to approval by the legislature.

2 \* Sec. 19. AS 39.35.125(b) is amended to read:

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

6 \* Sec. 20. AS 39.35.150 is repealed and re-enacted to read:

7 Sec. 39.35.150. REEMPLOYMENT OF FORMER EMPLOYEES. If a retired  
8 employee subsequently becomes an active member, no benefit payments will  
9 be made during the period of reemployment. During the period of reem-  
10 ployment, deductions from the employee's salary will be made in accor-  
11 dance with sec. 160 of this chapter. Upon subsequent retirement, the re-  
12 tired employee is entitled to receive an additional pension based on  
13 the credited service and the average monthly compensation earned during  
14 the period of reemployment in accordance with sec. 370 of this chapter.

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

16 Sec. 39.35.155. FORMER MAGISTRATES. A magistrate who terminated  
17 his employment before July 1, 1977 may be included retroactively in the  
18 system and receive service credit for time previously served as a magis-  
19 trate if, before July 1, 1978, he makes retroactive contributions equal  
20 to what he would have made if he had been participating in the system.

21 \* Sec. 22. AS 39.35.200 is amended to read:

22 Sec. 39.35.200. REFUND UPON TERMINATION OF EMPLOYMENT FOR REASON  
23 OTHER THAN DEATH. (a) An inactive employee, not on leave-without-pay  
24 status or layoff status, [UPON TERMINATION OF EMPLOYMENT FOR A REASON  
25 OTHER THAN DEATH, AN EMPLOYEE] is entitled to receive a refund of the  
26 balance [, DETERMINED AS OF THE DATE OF TERMINATION OF EMPLOYMENT,] of  
27 (1) his employee contribution account and (2) his employee savings  
28 account.

29 (b) If, upon termination of employment, an [THE] employee has

1 credited service of less than five years and has less than \$1,000 in his  
2 employee contribution account, a refund of the employee contribution  
3 account and the employee savings account must be made. An employee who  
4 is reemployed with an [A PARTICIPATING] employer [OF THE SYSTEM] and  
5 whose contributions have not been refunded before reemployment is not  
6 eligible for a refund.

7 \* Sec. 23. AS 39.35.240 is amended to read:

8       Sec. 39.35.240. WITHDRAWAL OF VOLUNTARY CONTRIBUTIONS. An active  
9 employee [WHILE AN EMPLOYEE IS EMPLOYED BY AN EMPLOYER, HE] may withdraw  
10 his savings account [VOLUNTARY CONTRIBUTIONS AND INTEREST ACCRUED ON  
11 THEM, OR PART OF THIS AMOUNT,] only if he receives the consent of the  
12 administrator [BOARD]. The administrator [BOARD] may permit a with-  
13 drawal before termination of employment only in cases of financial need.

14 \* Sec. 24. AS 39.35.250 is repealed and re-enacted to read:

15       Sec. 39.35.250. CALCULATION OF EMPLOYER'S CONTRIBUTION RATE. (a)  
16 An employer shall make contributions to the system in amounts determined  
17 in accordance with this section. For the purposes of this section, the  
18 past service date for each employer is the entry date of the employer or  
19 December 31, 1972, whichever is later. After December 31, 1972, if  
20 amendments to this chapter are enacted which substantially affect  
21 benefits accrued before the effective date of the amendment, the past  
22 service date will be changed to December 31 of the year immediately  
23 preceding that in which the amendment is enacted. The contribution rate  
24 is the sum of the consolidated employer rate and the past service rate.

25       (b) As used in (a) of this section, "consolidated employer rate"  
26 means the percentage of compensation of all active employees in the  
27 system which, if paid over the period of their credited service after  
28 their past service date and when combined with all employee contribu-  
29 tions, is sufficient to provide the benefits earned after such past

1 service dates. This percentage is uniformly determined for all em-  
2 ployers and is applicable to each employer.

3 (c) As used in (a) of this section, "past service rate" means the  
4 percentage of compensation of all active employees in the system neces-  
5 sary to provide the annual amount required to amortize the unfunded  
6 obligations of the employer for benefits earned before the employer's  
7 past service date over a period not to exceed 40 years. The period of  
8 amortization begins at the past service date of each employer. The  
9 percentage is separately determined for each employer.

10 \* Sec. 25. AS 39.35.270 is amended to read:

11 Sec. 39.35.270. AMOUNT OF EMPLOYER'S CONTRIBUTIONS. The amount of  
12 each employer's contributions shall be determined by applying the  
13 employer's contribution rate to the total [OF ALL] compensation paid to  
14 the active [PARTICIPATING] employees of the employer for each payroll  
15 period. This [, AND THIS] amount [, PLUS A PERCENTAGE OF THE ANNUAL  
16 PAYMENT FOR PAST SERVICE LIABILITY,] shall be remitted by the employer  
17 to the administrator in accordance with sec. 610 of this chapter [COM-  
18 MISSIONER OF ADMINISTRATION. THE PERCENTAGE OF THE ANNUAL PAYMENT FOR  
19 PAST SERVICE LIABILITY PAYABLE SHALL BE DETERMINED BY A FRACTION, THE  
20 NUMERATOR OF WHICH IS ONE AND THE DENOMINATOR OF WHICH IS THE NUMBER OF  
21 PAYROLL PERIODS OF THE EMPLOYER IN ONE YEAR].

22 \* Sec. 26. AS 39.35.300 is amended to read:

23 Sec. 39.35.300. EMPLOYMENT WITH THE STATE. (a) An active  
24 employee is entitled to credited service [SERVICE CREDIT] for periods  
25 [THE ENTIRE PERIOD] of [UNINTERRUPTED] employment with the state after  
26 [FOR WHICH HE MAKES CONTRIBUTIONS REQUIRED BY THIS CHAPTER BEGINNING]  
27 January 1, 1961, [OR THE LATEST DATE THE EMPLOYEE ENTERED EMPLOYMENT,  
28 WHICHEVER IS LATER, AND ENDING WITH THE TERMINATION OF HIS EMPLOYMENT,]  
29 regardless of the office, department, division, or agency of the state

1 in which he was employed.

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

5 \* Sec. 27. AS 39.35.310 is repealed and re-enacted to read:

6 Sec. 39.35.310. EMPLOYMENT WITH OTHER EMPLOYERS. (a) An active  
7 employee is entitled to credited service for periods of employment with  
8 a political subdivision or a public or quasi-public organization begin-  
9 ning with the effective date of the employer's participation in the  
10 system. The employee is also entitled to credited service for periods  
11 of employment as designated in the employer's participation agreement.

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

16 \* Sec. 28. AS 39.35.330 is amended to read:

17 Sec. 39.35.330. LEAVE OF ABSENCE [AUTHORIZED ABSENCES]. (a) A  
18 leave of absence with pay authorized by an employer will [MAY] not be  
19 considered as interrupting employment [, IF THE EMPLOYEE RETURNS TO  
20 EMPLOYMENT AFTER THE EXPIRATION OF THE PERIOD OF AUTHORIZED ABSENCE].  
21 If the employee is a permanent part-time employee, credited service will  
22 be granted on a basis proportionate to that which would have been  
23 earned as a permanent full-time employee [THE BOARD SHALL ADOPT RULES TO  
24 GOVERN THE EXTENT TO WHICH PERIODS OF AUTHORIZED ABSENCE SHALL BE  
25 CONSIDERED AS CREDITED SERVICE, EXCEPT AS PROVIDED IN THIS CHAPTER].

26 (b) A leave of absence without pay which exceeds 10 working days  
27 in any calendar year or layoff status authorized by an employer will be  
28 considered as an interruption of employment and no credited service  
29 will be granted.

1 \* Sec. 29. AS 39.35.340 is amended to read:

2       Sec. 39.35.340. MILITARY SERVICE. (a) A vested [AN] employee is  
3 entitled to credited service [SERVICE CREDIT] for active military service  
4 in the armed forces of the United States, either by enlistment or induc-  
5 tion, if the employee did not receive a dishonorable discharge. The  
6 credited service [SERVICE CREDIT] allowed may not exceed an aggregate  
7 period of five years. [THE SERVICE CREDIT AVAILABLE TO THE EMPLOYEE  
8 UNDER THIS SECTION MAY NOT BE GRANTED UNTIL THE EMPLOYEE BECOMES VESTED  
9 IN THE RETIREMENT SYSTEM.] Benefits are not payable on credited service  
10 for military service [CREDIT] unless the employee makes retroactive con-  
11 tributions to the system for the period of time that service credit is  
12 claimed. However, if the employee was in the employ of an employer on  
13 the date of entry into the armed forces and returned to the employ of an  
14 employer within 90 days after the date of his discharge from military  
15 service, he is not required to make retroactive contributions under this  
16 system for the period of credited service [SERVICE CREDIT].

17       (b) In order to obtain credited service [SERVICE CREDIT] under  
18 this section, an employee shall make an election to do so and shall  
19 verify his period of military service before July 1, 1977 or within one  
20 year following the date when the employee first becomes vested under  
21 this chapter, if later. When eligibility for credited service for  
22 military service [CREDIT] has been established, an indebtedness shall be  
23 determined as follows: (1) the employee's actual compensation, or the  
24 calculated annual compensation for those employees working less than 12  
25 months, during the calendar year 1976 or the year in which an employee  
26 first becomes vested under this chapter, whichever is later, multiplied  
27 by (2) six per cent, this product multiplied by (3) the number of years  
28 of military service credited under this section. Interest as prescribed  
29 by regulation accrues on this indebtedness commencing on July 1, 1977 or

1 one year following the date a person first becomes vested, whichever is  
2 later. Any outstanding indebtedness which exists at the time a person  
3 is appointed to retirement will necessitate an actuarial adjustment to  
4 the benefits payable based upon that military service.

5 (c) A retired employee [PERSON RECEIVING RETIREMENT BENEFITS UNDER  
6 THIS CHAPTER] on July 1, 1976 is eligible to receive increased benefits  
7 based upon military service as described in (a) of this section. To  
8 receive credited service for military service [CREDIT], a retired  
9 employee [PERSON] must verify his military service before July 1, 1977.  
10 When [SUCH SERVICE HAS BEEN] verified, [FOR] a retired employee [PERSON  
11 TO RECEIVE MILITARY SERVICE CREDIT, HE] is entitled to receive an in-  
12 creased benefit which shall be actuarially adjusted to reflect his indebt-  
13 edness for such credit. The indebtedness shall be calculated in the same  
14 manner as described in (b) of this section except that it shall be based  
15 on the average monthly compensation used in calculating the [RETIREMENT]  
16 benefit. The effective date of this increased benefit is the beginning  
17 of the month following that in which eligibility has been established.

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

23 (e) A deferred vested employee on July 1, 1976 is eligible to  
24 claim credited service under (a) of this section. In order to obtain  
25 credited service under this section, such an employee must make an  
26 election to do so and must verify his period of military service before  
27 July 1, 1978. When eligibility for military service has been  
28 established, an indebtedness shall be determined as follows: the em-  
29 ployee's actual compensation, or the calculated annual compensation for

1 those employees working less than 12 months, during the calendar year  
2 the employee terminated, shall be multiplied by six per cent; this  
3 product shall then be multiplied by the number of years of military  
4 service credit under this section. Interest as prescribed by regulation  
5 accrues on this indebtedness commencing July 1, 1978. Any outstanding  
6 indebtedness which exists at the time a person is appointed to retire-  
7 ment will necessitate an actuarial adjustment to the benefits payable  
8 based upon that military service.

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

12 \* Sec. 30. AS 39.35.350 is repealed and re-enacted to read:

13 Sec. 39.35.350. REINSTATEMENT OF CREDITED SERVICE. (a) An  
14 employee who receives a refund of contributions in accordance with sec.  
15 200 of this chapter forfeits corresponding service under this chapter.

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

21 (c) If, on the date of retirement, an employee has not paid in  
22 full the amount of his reinstatement indebtedness, he may irrevocably  
23 elect either (1) option one - to receive a refund of the principal paid  
24 on the reinstatement indebtedness and forfeit the corresponding credited  
25 service, or (2) option two - to cancel the outstanding indebtedness due  
26 by accepting an actuarial reduction to the retirement benefit for life.

27 \* Sec. 31. AS 39.35.360(a) is amended to read:

28 (a) An employee who completes three years of service with the  
29 state after January 1, 1961, for which he makes contributions required

1 by this chapter is entitled to credited service [SERVICE CREDIT] for em-  
2 ployment rendered to the State and former Territory of Alaska before  
3 January 1, 1961, regardless of the office, department, division, or  
4 agency of the state or territory in which he was employed, including (1)  
5 service as a commissioned officer of the United States Public Health  
6 Service, (2) service with the United States District court and the United  
7 States Commissioner's court serving the Territory and State of Alaska  
8 succeeded to by the Alaska court system, (3) persons employed as United  
9 States marshals, United States deputy marshals, Civil Aeronautics Adminis-  
10 tration security guards and [HEAVY EQUIPMENT OPERATORS,] United States  
11 Corps of Engineers security guards, (4) employees of the Alaska Jail  
12 System of the United States Department of Justice, (5) Civil Aeronautics  
13 Administration heavy equipment operators, (6) [AND] employees of the  
14 United States Fish and Wildlife Service, and (7) employees of the Alaska  
15 Road Commission and Bureau of Public Roads. The retirement benefits  
16 payable to an employee under this section which are attributable to  
17 employment rendered to the State and former Territory of Alaska before  
18 January 1, 1961, shall be reduced by the amount of the retirement pen-  
19 sion benefits paid to him by the United States government for the same  
20 period of service.

21 \* Sec. 32. AS 39.35.360(b) is amended to read:

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

26 \* Sec. 33. AS 39.35.360(e) is amended to read:

27 (e) An employee of a detention facility provided by a local  
28 government unit to the territorial or state government under AS 33.30.-  
29 060, who continues in state employment upon transfer of the facility to

1 the state, is entitled to credited service [SERVICE CREDIT] for his  
2 prior service with the facility if the employee remains in continuous  
3 employment with the state until July 1, 1976. To obtain credited ser-  
4 vice [SERVICE CREDIT] the employee is required to make retroactive  
5 contributions for the period of service between January 1, 1961 and the  
6 effective date of the transfer of the facility to the state.

7 \* Sec. 34. AS 39.35.370 is repealed and re-enacted to read:

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

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

15 (c) The monthly amount of a retirement benefit for a peace officer  
16 or fireman is two per cent of the average monthly compensation times the  
17 years of credited service up through 10 years, plus two and one-half per  
18 cent of the average monthly compensation times the years of service over  
19 10 years. For all other employees it is two per cent of the average  
20 monthly compensation times the years of service. An actuarial adjust-  
21 ment must be made for an early retirement benefit.

22 (d) The monthly amount of a retirement benefit for a deferred  
23 vested member shall be determined in accordance with (c) of this section  
24 as it was in effect on the date of the employee's termination of employ-  
25 ment.

26 (e) Benefits payable under this section accrue from the first day  
27 of the month after which all of the following requirements are met: (1)  
28 the member meets the eligibility requirements of this section; (2) he  
29 terminates his employment; and (3) he applies for retirement. The

1 benefits are payable the last day of the month. If payment is delayed,  
2 a retroactive payment shall be made to cover the period of deferment.  
3 The last payment shall be made for the month in which a benefit is  
4 payable under this section.

5 \* Sec. 35. AS 39.35 is amended by adding a new section to read:

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

11 \* Sec. 36. AS 39.35.400(b) is amended to read:

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

27 \* Sec. 37. AS 39.35.400(e) is amended to read:

28 (e) A disabled employee receiving a nonoccupational disability  
29 benefit [PENSION] shall provide the administrator, one year after

1 appointment to disability benefits [RETIREMENT] and once each year  
2 thereafter until disability benefits cease, proof of continuing eligi-  
3 bility to receive disability payments under the Social Security Act. If  
4 the disabled employee is otherwise ineligible for a social security  
5 payment, he shall provide the administrator with sufficient medical  
6 evidence once each year to demonstrate that disability payments [BENE-  
7 FITS] under the Social Security Act would be payable had the employee  
8 been otherwise eligible. If the disabled employee fails to provide the  
9 administrator with evidence of continuing eligibility for disability  
10 payments under the Social Security Act or other medical evidence re-  
11 quired by the administrator within 30 days following each anniversary  
12 date, the disability benefits [PAYMENTS] from the system shall cease.  
13 If that information is subsequently provided to the administrator,  
14 benefit payments will resume beginning for the month following that in  
15 which the information is provided. When disability payments under the  
16 Social Security Act cease, it is the responsibility of the disabled  
17 employee to notify the administrator immediately. [UPON NOTIFICATION,  
18 THE ADMINISTRATOR SHALL CEASE MAKING DISABILITY PAYMENTS.]

19 \* Sec. 38. AS 39.35.410(b) is amended to read:

20 (b) The occupational disability [PENSION] benefits accrue beginning  
21 the first day of the month following termination of employment as a  
22 result of the disability and are payable the last day of the month.  
23 If a final determination granting the benefit [PENSION] is not made in  
24 time to pay the benefit [FIRST MONTH'S PENSION] when due, a retroactive  
25 payment shall be made to cover the period of deferment. Benefits shall  
26 be continued after one year from date of appointment to occupational  
27 disability only if the disabled employee [PERSON] fulfills the require-  
28 ments set out in (g) of this section. The last payment shall be for the  
29 month in which (1) the death of the disabled employee occurs, or (2) the

1 month in which the disabled employee recovers from disability, or (3)  
2 the month in which the disabled employee ceases to be eligible for  
3 disability payments [BENEFITS] under the Social Security Act, or (4) the  
4 month the disabled employee reaches normal retirement age, whichever  
5 occurs first.

6 \* Sec. 39. AS 39.35.410(g) is amended to read:

7 (g) A disabled employee receiving an occupational disability  
8 benefit [PENSION] shall provide the administrator, one year after  
9 appointment to disability benefits [RETIREMENT] and once each year  
10 thereafter until disability benefits cease, proof of continuing eligi-  
11 bility to receive disability payments under the Social Security Act. If  
12 a disabled employee is otherwise ineligible for a social security pay-  
13 ment, he shall provide the administrator with sufficient medical evidence  
14 once each year to demonstrate that disability payments [BENEFITS] under  
15 the Social Security Act would be payable had the employee been otherwise  
16 eligible. If the disabled employee fails to provide the administrator  
17 with evidence of continuing eligibility for disability payments under  
18 the Social Security Act or other medical evidence required by the ad-  
19 ministrator within 30 days following each anniversary date, the dis-  
20 ability benefit [PAYMENTS] from the system shall cease. If that infor-  
21 mation is subsequently provided to the administrator, benefit payments  
22 will resume beginning for the month following that in which the infor-  
23 mation is provided. When disability payments under the Social Security  
24 Act cease, it is the responsibility of the disabled employee to notify  
25 the administrator immediately. [UPON NOTIFICATION, THE ADMINISTRATOR  
26 SHALL CEASE MAKING DISABILITY PAYMENTS.]

27 \* Sec. 40. AS 39.35.420 is amended to read:

28 Sec. 39.35.420. NONOCCUPATIONAL DEATH BENEFITS. (a) If the death  
29 of an employee occurs from nonoccupational causes after completing less

1 than one year of credited service, the employee's beneficiary shall be  
2 paid the balance of: (1) the employee's contribution account; and (2)  
3 the employee's savings account. If the death of an employee occurs from  
4 nonoccupational causes [BEFORE APPOINTMENT TO RETIREMENT, AND] after  
5 completing at least one year but less than five years of credited ser-  
6 vice, a lump sum death benefit shall be paid to the beneficiary of the  
7 employee. The amount of the lump sum death benefit shall be [\$1,000  
8 PLUS] \$100 times years [FOR EACH YEAR] of credited service plus \$1,000.  
9 The lump sum death benefit is in addition to [A REFUND OF] the balance  
10 of the employee's [EMPLOYEE] contribution account and savings account  
11 [OF THE DECEASED EMPLOYEE UNDER SEC. 210 OF THIS CHAPTER].

12 (b) If the death of a vested member [AN EMPLOYEE] or deferred  
13 vested member occurs from nonoccupational causes [BEFORE APPOINTMENT TO  
14 RETIREMENT AND AFTER COMPLETING AT LEAST FIVE YEARS OF CREDITED SERVICE],  
15 the surviving spouse may at his or her discretion receive either the  
16 benefits described in (a) of this section or a 50 per cent joint and  
17 survivor option based upon credited service to the date of the employee's  
18 death or termination [AND PAYABLE TO THE SURVIVING SPOUSE COMMENCING FOR  
19 THE MONTH FOLLOWING THE DEATH OF THE EMPLOYEE]. Benefits accrue from  
20 the first day of the month following the employee's death and are pay-  
21 able the last day of the month.

22 \* Sec. 41. AS 39.35.430(b) is amended to read:

23 (b) If (1) the death of an employee occurs before his retirement  
24 and before his normal retirement date, and (2) the proximate cause of  
25 death is a bodily injury sustained or a hazard undergone while in the  
26 performance and within the scope of his duties, and (3) the injury or  
27 hazard is not the proximate result of wilful negligence of the employee,  
28 a monthly survivor's pension equal to 40 per cent of his monthly  
29 compensation in the month in which he dies shall be paid to his surviv-

1 ing spouse. If there is no surviving spouse the monthly survivor's  
2 pension shall be paid in equal parts to the dependent children of the  
3 employee [, INCLUDING THOSE ADOPTED, WHO ARE EITHER UNDER 19 YEARS OLD  
4 OR UNDER 23 YEARS OLD AND REGISTERED AT AND ATTENDING ON A FULL-TIME  
5 BASIS AN ACCREDITED EDUCATIONAL OR TECHNICAL INSTITUTION RECOGNIZED BY  
6 THE DEPARTMENT OF EDUCATION]. On the date the normal retirement of  
7 the employee would have occurred if he had lived, monthly payments  
8 shall equal the monthly amount of the normal retirement benefit to  
9 which the employee, had he lived and continued his employment until  
10 his normal retirement date, would have been entitled with an average  
11 monthly compensation as existed at his death and the credited service  
12 to which he would have been entitled.

13 \* Sec. 42. AS 39.35.430(c) is amended to read:

14 (c) The first payment of the surviving spouse's pension or of  
15 a dependent [THE SURVIVING] child's pension shall accrue from the  
16 first day of [BE MADE FOR] the month following the employee's death  
17 and is payable the last day of the month. The last [MONTH IN WHICH  
18 THE EMPLOYEE DIES AND THE] payment shall [CEASE TO] be made for the  
19 last month in which there is an [NO] eligible surviving spouse or  
20 child.

21 \* Sec. 43. AS 39.35.440(b) is amended to read:

22 (b) Upon the death of a disabled [RETIRED] employee who is  
23 receiving or is entitled to receive an occupational disability benefit  
24 [PENSION], a surviving spouse's pension equal to 40 per cent of his  
25 average monthly compensation shall be paid to his surviving spouse.  
26 If there is no surviving spouse, the survivor's pension shall be paid  
27 in equal parts to the dependent children of the employee [, INCLUDING  
28 THOSE ADOPTED, WHO ARE EITHER UNDER 19 YEARS OLD OR UNDER 23 YEARS OLD  
29 AND REGISTERED AT AND ATTENDING ON A FULL-TIME BASIS AN ACCREDITED

1 EDUCATIONAL OR A TECHNICAL INSTITUTION RECOGNIZED BY THE DEPARTMENT OF  
2 EDUCATION]. On the date the normal retirement of the employee would  
3 have occurred if he had lived, monthly payments shall equal the monthly  
4 amount of the normal retirement benefit to which the employee, had he  
5 lived and continued his employment until his normal retirement date,  
6 would have been entitled with an average monthly compensation as  
7 existed at his death and the credited service to which he would have  
8 been entitled.

9 \* Sec. 44. AS 39.35.440(c) is amended to read:

10 (c) The first payment of the surviving spouse's pension or of  
11 a dependent [THE SURVIVING] child's pension shall accrue from the first  
12 day of [BE MADE FOR] the month following the [MONTH IN WHICH THE  
13 EMPLOYEE DIES AND THE] employee's death and is payable the last day of  
14 the month. The last payment [PAYMENTS] shall [CEASE TO] be made for  
15 the last month in which there is an [NO] eligible surviving spouse or  
16 child.

17 \* Sec. 45. AS 39.35.450 is repealed and re-enacted to read:

18 Sec. 39.35.450. JOINT AND SURVIVOR OPTION. (a) Benefits  
19 payable under this section are in place of benefits payable under sec.  
20 370 of this chapter. Upon filing an application with the admini-  
21 strator, an employee may designate his or her spouse or a dependent  
22 approved by the administrator as the contingent beneficiary. The  
23 benefit shall be determined in accordance with one of the following  
24 options elected:

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

29 (2) the employee is entitled to receive a reduced benefit

1 payable for life, and payments in the amount of 50 per cent of the  
2 reduced benefit shall, after the employee's death, be continued to the  
3 contingent beneficiary for life;

4 (3) the employee is entitled to receive a reduced benefit  
5 payable during the joint lifetime of the employee and the contingent  
6 beneficiary, and payments in the amount of  $66 \frac{2}{3}$  per cent of the  
7 reduced benefit shall, after the death of either the employee or the  
8 contingent beneficiary, be continued to the survivor for life.

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

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

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

20 (e) If either the employee or contingent beneficiary dies before  
21 the employee is appointed to retirement, the election becomes inopera-  
22 tive. Once the employee is appointed to retirement, the election is  
23 irrevocable. If a retired employee is reemployed and is subsequently  
24 reappointed to retirement, those benefits earned during the period of  
25 reemployment are subject to the initial election made under this  
26 section, unless the contingent beneficiary is deceased. If the contin-  
27 gent beneficiary is deceased, the benefits earned during the period of  
28 reemployment are subject to sec. 370 of this chapter or this section  
29 if another contingent beneficiary was elected during the period of

1 reemployment. All other benefits earned during prior periods of  
2 employment are subject to the election at the time the employee was  
3 appointed to retirement. If death occurs from nonoccupational causes  
4 during the period of reemployment, those benefits earned while reem-  
5 ployed are subject to sec. 420(b) of this chapter. All other benefits  
6 earned during prior periods of employment are subject to the election  
7 at the time the employee was appointed to retirement. If death occurs  
8 from occupational causes during the period of reemployment, all benefits  
9 earned during all periods of employment are subject to sec. 430(b) and  
10 (c) of this chapter.

11 \* Sec. 46. AS 39.35.480 is repealed and re-enacted to read:

12 Sec. 39.35.480. COST-OF-LIVING ALLOWANCE. (a) While residing  
13 in the state, a person receiving a benefit under this chapter is  
14 entitled to receive a monthly cost-of-living allowance in addition to  
15 his basic benefit. The amount of this allowance shall be \$50 or 10  
16 per cent of the basic benefit, whichever is greater.

17 (b) A person receiving a cost-of-living allowance under this  
18 section shall notify the administrator when he expects to be absent  
19 from the state for a continuous period that exceeds 60 days. After  
20 that notification, the person is no longer entitled to receive the  
21 monthly cost-of-living allowance. Upon his return to the state, and  
22 upon notification to the administrator, the person is again entitled  
23 to receive the monthly cost-of-living allowance, commencing with the  
24 first monthly benefit payment made after notification of the person's  
25 return.

26 (c) While residing in the state, a public employee of the Terri-  
27 tory of Alaska who participated in the Public Employees' Retirement  
28 Act established by ch. 41 SLA 1949, and who retired before the effective  
29 date of ch. 102 SLA 1951, is entitled to the cost-of-living allowance

1 equal to 25 per cent of the amount received under ch. 41 SLA 1949.

2 (d) For purposes of this section, "residing in the state" means  
3 domiciled and physically present in the State of Alaska. Being absent  
4 from the state for a continuous period of 60 days or less does not  
5 change a person's status as "residing in the state."

6 \* Sec. 47. AS 39.35.490(b) is amended to read:

7 (b) The designation may be changed or revoked by the employee  
8 without notice to the beneficiary or beneficiaries at any time. If an  
9 employee designates more than one beneficiary, each shall share  
10 equally unless the employee specifies a different allocation or  
11 preference. The designation of a beneficiary and a change or revoca-  
12 tion of a beneficiary shall be made on a form provided by the admini-  
13 strator [BOARD] and is not effective until filed with the administrator  
14 [BOARD].

15 \* Sec. 48. AS 39.35.500 is amended to read:

16 Sec. 39.35.500. SAFEGUARD OF EMPLOYEE FUNDS [NONALIENATION OF  
17 AMOUNTS] HELD BY THE SYSTEM. Employee contributions and other amounts  
18 held in the pension fund are exempt from Alaska state and local taxes.  
19 Amounts [EXCEPT WITH RESPECT TO INDEBTEDNESS OWING TO THE EMPLOYERS,  
20 AMOUNTS] held on behalf of, or payable to, any employee or other  
21 person who is or may become eligible for benefits under the system are  
22 not subject to anticipation, alienation, sale, transfer, assignment,  
23 pledge, encumbrance, charge, garnishment, execution, or levy of any  
24 kind, either voluntary or involuntary, before being received by the  
25 person entitled to the amount under the terms of the system. An  
26 attempt to anticipate, alienate, sell, transfer, assign, pledge,  
27 encumber, charge, or otherwise dispose of a right to amounts held  
28 under the system is void.

29 \* Sec. 49. AS 39.35.510 is amended to read:

1           Sec. 39.35.510. VOLUNTARY WAIVER OF BENEFITS. A retired employee  
2 may, in writing, request the administrator [BOARD] to suspend, for any  
3 period of time, payment of all or part of the benefits to which he is  
4 entitled. The administrator [BOARD] shall grant the request and may  
5 not require the retired employee to disclose his reason for desiring the  
6 suspension. Amounts which are suspended pursuant to the request are  
7 forfeited. The retired employee may subsequently terminate the suspen-  
8 sion by filing a written notice with the administrator [BOARD] which  
9 states his desire to revoke the suspension. Upon receipt of the  
10 notice, the administrator [BOARD] shall authorize resumption of the  
11 retired employee's regular pension payments.

12 \* Sec. 50. AS 39.35.546 is amended to read:

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

15 \* Sec. 51. AS 39.35.550 is amended to read:

16           Sec. 39.35.550. REQUEST BY POLITICAL SUBDIVISION TO PARTICIPATE  
17 AND ADOPTION OF RESOLUTION. A municipality or other political subdivi-  
18 sion of the state may request to become an [A PARTICIPATING] employer  
19 in this system. The request shall be made after adoption of a resolu-  
20 tion by the legislative body of the political subdivision and after  
21 approval of the resolution by the person required by law to approve  
22 the resolution. A certified copy of the resolution shall be filed  
23 with the administrator [DEPARTMENT OF ADMINISTRATION]. If the admini-  
24 strator [COMMISSIONER OF ADMINISTRATION] approves the request for  
25 participation, the political subdivision is an [A PARTICIPATING]  
26 employer of the system.

27 \* Sec. 52. AS 39.35.560 is amended to read:

28           Sec. 39.35.560. REQUEST BY PUBLIC ORGANIZATION TO PARTICIPATE  
29 AND ADOPTION OF RESOLUTION. A public or quasi-public organization

1 created wholly or partly by, or deriving its powers from, the legis-  
2 lature of the state may request to become an [A PARTICIPATING] employer  
3 in this system. The request shall be made after adoption of a resolu-  
4 tion by the governing body of the public organization. A certified  
5 copy of the resolution shall be filed with the administrator [DEPART-  
6 MENT OF ADMINISTRATION]. If the administrator [COMMISSIONER OF ADMINI-  
7 STRATION] approves the request for participation, the public organiza-  
8 tion is an [A PARTICIPATING] employer of the system.

9 \* Sec. 53. AS 39.35.610 is amended to read:

10 Sec. 39.35.610. TRANSMITTAL OF CONTRIBUTIONS TO ADMINISTRATOR  
11 [COMMISSIONER OF ADMINISTRATION]. The contributions of an employer  
12 [THE POLITICAL SUBDIVISION OR PUBLIC ORGANIZATION] and the contributions  
13 of its employees shall be transmitted to the administrator [COMMISSIONER  
14 OF ADMINISTRATION] as soon as practicable after the close of the  
15 payroll period for which the contributions are made. If an employer  
16 is delinquent in transferring the contributions for more than 15 days,  
17 interest shall be assessed on the outstanding contributions at one and  
18 one-half times the most recent actuarially determined rate of earnings  
19 for the retirement system from the date that the contributions were  
20 originally due.

21 \* Sec. 54. AS 39.35.680 is repealed and re-enacted to read:

22 Sec. 39.35.680. DEFINITIONS. In this chapter, unless the  
23 context otherwise requires,

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

28 (2) "actuarial adjustment" means equality in value of the  
29 aggregate expected payments under two different forms of pension

1 payments, considering expected mortality and interest earnings on the  
2 basis of tables adopted from time to time by the board;

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

5 (4) "average monthly compensation" means the result obtained  
6 by dividing the compensation earned by an employee during a considered  
7 period by the number of months, including fractional months, for which  
8 compensation was earned; the considered period consists of the three  
9 consecutive calendar years during the period of credited service which  
10 yields the highest average, or if the employee does not have three  
11 consecutive calendar years, his period of credited service; an employee  
12 must have at least 120 days of credited service in the last calendar  
13 year in order to be used as part of the three consecutive calendar  
14 years;

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

18 (6) "board" means the Public Employees Retirement Board;

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

21 (8) "compensation" means the total remuneration earned by  
22 an employee for personal services rendered, including cost-of-living  
23 differentials, but does not include retirement benefits, welfare  
24 benefits, per diem, expense allowances, or medical leave or annual leave  
25 not used by the employee;

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

29 (10) "deferred vested member" means an inactive member who

1 meets the five-year credited service requirement to qualify for a  
2 retirement benefit;

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

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

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

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

19 (15) "employee contribution account" means the account  
20 maintained by the system to record the mandatory contributions of each  
21 employee, including interest and adjustments to the account in accor-  
22 dance with sec. 100 of this chapter;

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

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

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

3 (19) "former member" means an employee who is terminated  
4 and who has received a total refund of the balance of his employee  
5 contribution account, or who has requested in writing a refund of the  
6 balance in his employee contribution account, or who is eligible for  
7 a refund under sec. 200(b) of this chapter;

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

11 (21) "member" or "employee"

12 (A) means a person eligible to participate in the  
13 system and who is covered by the system;

14 (B) includes

- 15 (i) active member;  
16 (ii) inactive member;  
17 (iii) vested member;  
18 (iv) deferred vested member;  
19 (v) non-vested member;  
20 (vi) disabled member;  
21 (vii) retired member;

22 (C) does not include

- 23 (i) former members;  
24 (ii) persons compensated on a contractual or fee  
25 basis;  
26 (iii) casual, emergency or temporary workers;  
27 (iv) persons covered by the Alaska Teachers'  
28 Retirement System;  
29 (v) employees of the division of marine trans-

1 portation engaged in operating the state ferry system who  
2 are covered by a union or group retirement system to which  
3 the state makes contributions; and

4 (vi) justices of the supreme court or judges of  
5 the superior or district courts of Alaska;

6 (22) "military service" means active duty service in the  
7 armed forces of the United States;

8 (23) "nonoccupational disability" means a physical or  
9 mental condition which, in the judgment of the administrator, presum-  
10 ably permanently prevents an employee from satisfactorily performing  
11 his usual duties for his employer or the duties of another position or  
12 job which his employer makes available and for which the employee is  
13 qualified by training or education, not including a condition resulting  
14 from a cause which the board, in its regulations has excluded;

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

18 (25) "normal retirement" means retirement for a member who  
19 is at least 55 years old and has a minimum of five years credited  
20 service, or who is any age and has 30 years or more of credited service,  
21 or a peace officer or fireman who is any age and has 20 years or more  
22 of credited service;

23 (26) "occupational disability" means a physical or mental  
24 condition which, in the judgment of the administrator, presumably  
25 permanently prevents an employee from satisfactorily performing his  
26 usual duties for his employer; however, the proximate cause of the  
27 condition must be a bodily injury sustained, or a hazard undergone,  
28 while in the performance and within the scope of the employee's  
29 duties and not the proximate result of the wilful negligence of the

1 employee;

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

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

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

11 (30) "permanent part-time" means an employee who is occupy-  
12 ing a permanent position which regularly requires working at least 15  
13 hours but less than 30 hours a week;

14 (31) "prescribed rate of interest" means the rate of  
15 interest used for computing employer contributions, for preparing  
16 actuarial tables used by the system and for crediting interest to  
17 employee contributions and savings accounts, and for charging interest  
18 on employee indebtedness accounts;

19 (32) "qualified employee of the Department of Fish and  
20 Game" means a full-time employee of that department whose duties  
21 necessitate a significant amount of field work, travel, or exposure to  
22 hazardous working conditions, and who holds a position which is desig-  
23 nated as complying with the requirements of this section by regulations  
24 adopted by the commissioner of administration after consultation with  
25 the commissioner of fish and game, except that other personnel of that  
26 department are not excluded by this paragraph from status as an  
27 "employee" under (21) of this section;

28 (33) "retired member" means an employee who is terminated,  
29 who has not received a refund from the system and is receiving a

1 benefit other than disability, from the system;

2 (34) "retirement" means that period of time from the first  
3 day of the month following (A) the date of termination and (B) applica-  
4 tion for retirement, in which a person is appointed to receive a  
5 retirement benefit, other than occupational or nonoccupational disability  
6 benefit;

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

10 (36) "surviving spouse" means the spouse of an employee who  
11 has been married to the employee for at least one year at the time of  
12 the employee's death; the one-year marriage requirement does not apply  
13 when the employee's death was an occupational or accidental death;

14 (37) "system" means the Public Employees' Retirement  
15 System of Alaska;

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

18 \* Sec. 55. The following laws are repealed: AS 14.25.120(i); 14.25.-  
19 162(e); AS 39.35.130 - 39.35.140; 39.35.190; 39.35.210 - 39.35.220; 39.35.-  
20 320; 39.35.380 - 39.35.390; 39.35.440(d); and 39.35.485(b).

21 \* Sec. 56. The definition of "early retirement" contained in sec. 54 of  
22 this Act (AS 39.35.680(13)) and the definition of "normal retirement" con-  
23 tained in sec. 54 of this Act (AS 39.35.680(25)) are retroactive to  
24 October 14, 1976.

25 \* Sec. 57. This Act takes effect July 1, 1977, except that the definition  
26 of "early retirement" contained in sec. 54 of this Act (AS 39.35.680(13))  
27 and the definition of "normal retirement" contained in sec. 54 of this Act  
28 (AS 39.35.680(25)) take effect immediately in accordance with AS 01.10.-  
29 070(c).