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Referred: Finance

BY THE RULES COMMITTEE BY REQUEST
OF THE LEGISLATIVE COUNCIL (for the
Study Group on Withdrawal from
Social Security)

1 IN THE HOUSE

CS HOUSE BILL NO. 946

2
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to withdrawal from the federal Social
7 Security System; and providing for an effective date."

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

9 * Section 1. AS 39.35.160(b) is amended to read:

10 (b) In addition each employee shall pay the appropriate social
11 security contribution or the contribution required under AS 39.30.170 in
12 lieu of a social security contribution.

13 Sec. 2. AS 39.35.680(21) is amended to read:

14 (21) "member" or "employee"

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

17 (B) includes

18 (i) active member;

19 (ii) inactive member;

20 (iii) vested member;

21 (iv) deferred vested member;

22 (v) non-vested member;

23 (vi) disabled member;

24 (vii) retired member;

25 (viii) employees of the division of marine transpor-
26 tation engaged in operating the state ferry system who are
27 covered by a maritime union contract; however, other than
28 military service credit, only service after January 1, 1980
29 may be credited under this chapter;

1 (C) does not include

2 (i) former members;

3 (ii) persons compensated on a contractual or fee
4 basis;

5 (iii) casual, emergency or temporary workers;

6 (iv) persons covered by the Alaska Teachers' Retirement
7 System; and

8 [(v) EMPLOYEES OF THE DIVISION OF MARINE TRANSPORTATION
9 ENGAGED IN OPERATING THE STATE FERRY SYSTEM WHO ARE
10 COVERED BY A UNION OR GROUP RETIREMENT SYSTEM TO WHICH THE
11 STATE MAKES CONTRIBUTIONS; AND]

12 (vi) justices of the supreme court or judges of the
13 superior or district courts of Alaska;

14 * Sec. 3. AS 39.35.680(25) is amended to read:

15 (25) "normal retirement" means retirement for a member who is
16 at least 55 years old and has a minimum of five years credited service,
17 or who is any age and has 30 years or more of credited service, or who
18 is making contributions under AS 39.30.170, is any age and has 25 years
19 or more of credited service, or a peace officer or fireman who is any
20 age and has 20 years or more of credited service;

21 * Sec. 4. AS 39.35.370(c) is amended to read:

22 (c) The monthly amount of a retirement benefit for a peace officer
23 or fireman is two percent of the average monthly compensation times the
24 years of credited service up through 10 years, plus two and one-half
25 percent of the average monthly compensation times the years of service
26 over 10 years. For all other employees it is two per cent of the aver-
27 age monthly compensation times the years of service. The monthly amount
28 of a retirement benefit for an employee covered by this chapter who is
29 making contributions under AS 39.30.170 shall be increased by one per

1 cent of the average monthly compensation times the years of credited
2 service with the state. An actuarial adjustment must be made for an
3 early retirement benefit.

4 * Sec. 5. AS 39.35.410(d) is amended to read:

5 (d) The monthly amount of an occupational disability pension is
6 the greater of 40 per cent of the disabled employee's gross monthly com-
7 penensation at the time of termination due to disability or the amount
8 determined in accordance with sec. 370(c) of this chapter, considering
9 the employee's credited service and compensation before termination of
10 employment.

11 * Sec. 6. AS 39.30 is amended by adding new sections to read:

12 ARTICLE 4. SUPPLEMENTARY EMPLOYEE BENEFITS ON WITHDRAWAL
13 FROM FEDERAL SOCIAL SECURITY.

14 Sec. 39.30.150. SURVIVOR'S BENEFITS. (a) The State of Alaska
15 shall provide for survivor's benefits for occupational and non-occupa-
16 tional death effective as of an employee's first day of employment, or
17 January 1, 1980, whichever is later, to employees of the state who are
18 making contributions under AS 39.30.170 as follows:

19 (1) for employees covered under the Judicial Retirement
20 System (AS 22.25) or the Alaska Public Employees' Retirement System (AS
21 39.35), the benefit payable to the beneficiary shall be a lump sum equal
22 to 12 times the employee's basic monthly compensation at the time of
23 death;

24 (2) for all casual, emergency or temporary employees not
25 covered by the Alaska Public Employees' Retirement System (AS 39.35) or
26 the Alaska Teachers' Retirement System (AS 14.25) the benefit payable to
27 the beneficiary shall be a lump sum of \$15,000.

28 (b) For purposes of this section, "basic monthly compensation at
29 the time of death" means the employee's basic monthly compensation for

1 the last full month of employment immediately preceding his death or
2 disability leading to his death.

3 Sec. 39.30.160. DISABILITY BENEFIT. (a) The state shall provide
4 an occupational and non-occupational disability benefit program covering
5 each employee of the state making contributions under AS 39.30.170.
6 Coverage shall begin on the first day of employment or January 1, 1980,
7 whichever is later. Disability payments are not payable during the
8 first six months of disability.

9 (b) In this section, "disability" means the complete inability of
10 the employee to engage in his regular occupation during the first 12
11 months of disability, and thereafter the complete inability to engage in
12 any employment or occupation for which he is reasonably fitted by reason
13 of education, training or experience.

14 (c) For a casual, emergency or temporary employee not covered by
15 the Alaska Public Employees' Retirement System (AS 39.35) or the Alaska
16 Teachers' Retirement System (AS 14.25), the disability benefit is \$100
17 per week and shall be payable only if the disabled employee fulfills the
18 requirements set out in (e) of this section. The last payment shall be
19 for the week in which (1) the death of the disabled employee occurs, or
20 (2) the disabled employee reaches the age of 65, whichever occurs first.

21 (d) For all employees other than those covered in (c) of this
22 section, the monthly disability benefit shall be 60 per cent of the
23 first \$5,000 of the employee's basic monthly earnings at the date of
24 disability less any disability benefits the employee is entitled to
25 under Social Security or any other disability plan to which the state
26 makes contributions on behalf of that employee. The disability benefit
27 shall be payable only if the disabled employee fulfills the requirements
28 set out in (e) of this section. The last payment shall be for (1) the
29 month in which the death of the disabled employee occurs, or (2) the

1 month the disabled employee reaches normal retirement age, or (3) the
2 month the disabled employee reaches the age of 65, whichever comes
3 first.

4 (e) An employee receiving a disability benefit under this section
5 shall provide the director of the division of retirement and benefits,
6 one year after appointment to disability benefits and once each year
7 thereafter until disability benefits cease, satisfactory proof of con-
8 tinuing disability. If the employee provides satisfactory proof that
9 the disability is permanent, the requirement of submitting further proof
10 of continuing disability may be waived by the director.

11 Sec. 39.30.165. BASIC MONTHLY COMPENSATION. In secs. 150 - 160 of
12 this chapter, "basic monthly compensation" means the amount earned by
13 the employee during the month, including normal overtime; however,
14 unusual or seasonal overtime or work of a seasonal nature may be ad-
15 justed to reflect a 12-month average.

16 Sec. 39.30.170. CONTRIBUTIONS. (a) The amounts which both the
17 state and the employee of the state would have otherwise paid into the
18 federal Social Security System at the rate then in effect had the state
19 continued in the federal Social Security System shall be paid into a
20 special employee benefit account in the Department of Administration to
21 be used to provide employee retirement and death and disability bene-
22 fits.

23 (b) There shall be determined the cost of providing the survivor
24 and disability benefits provided under secs. 150 and 160 of this chapter
25 expressed as a percentage of payroll for each of the following groups:

26 (1) employees covered under the Alaska Public Employees
27 Retirement System (AS 39.35);

28 (2) employees covered under the Judicial Retirement System
29 (AS 22.25);

1 (3) emergency temporary or casual workers not covered under
2 AS 39.35 (PERS) or AS 14.25 (TRS).

3 (c) From the amount contributed by an employee and on behalf of
4 that employee by the State of Alaska under this section, the Department
5 of Administration shall deduct:

6 (1) for each employee, the amount determined under (b) of
7 this section to pay the cost of providing benefits under secs. 150 and
8 160 of this chapter;

9 (2) for those employees covered under the Alaska Public
10 Employees' Retirement System (AS 39.35) except peace officers and fire-
11 men (as defined in AS 39.35.680(27)), an additional 7.7 per cent of
12 gross monthly compensation;

13 (3) for peace officers or firemen covered under AS 39.35
14 (PERS), an additional 6.8 per cent of gross monthly compensation.

15 (d) The balance of the contributions made by an employee and by
16 the state on behalf of that employee into the special employee benefit
17 account shall, after deduction of the amounts specified in (b) of this
18 section, be deposited in a deferred compensation account in the name of
19 that employee. The director of the division of retirement and benefits
20 shall administer the deferred compensation program and shall, by regula-
21 tion, establish operating procedures for the program which allow for
22 deferment of the state and federal income tax until benefits are receiv-
23 able in accordance with federal requirements under the Internal Revenue
24 Code.

25 * Sec. 7. If approved by employees of the State of Alaska as set out in
26 sec. 8 of this Act, the state's notice of intention to withdraw from the
27 federal Social Security System shall be allowed to become effective January 1,
28 1980.

29 * Sec. 8. The Department of Administration shall conduct an election by

1 secret ballot between February 1 and April 1, 1979. The department shall, at
2 least 90 days before the election, prepare a list of all affected state
3 employees, including permanent, seasonal and temporary employees, who shall
4 be eligible to vote, along with mailing addresses, and make the list avail-
5 able to interested persons or employee representative organizations. The
6 question on the ballot shall read: "Do you favor withdrawal from the Social
7 Security System?" The ballot shall contain a description of the benefits
8 provided for in this Act which would be provided in lieu of further benefits
9 under the Social Security System. No other information concerning the elec-
10 tion issue may be distributed with or attached to the ballot. A simple
11 majority of those employees voting shall determine the outcome of this issue.

12 * Sec. 9. Sections 1 - 7 of this Act take effect on January 1, 1980 if
13 approved by a majority of the votes cast by affected state employees under
14 sec. 8 of this Act. Section 8 of this Act takes effect immediately in accor-
15 dance with AS 01.10.070(c).

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