

Introduced: 1/16/79  
Referred: State Affairs  
and Finance

1 IN THE SENATE

BY RAY

2 SENATE BILL NO. 25

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST 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 by adding a new subparagraph to read:

14 (D) may include employees of the division of marine  
15 transportation excluded under (C)(v) of this paragraph provided  
16 that

17 (i) the State of Alaska formally agrees to their  
18 inclusion through the process of collective bargaining, and

19 (ii) other than military service credit, only ser-  
20 vice after January 1, 1980 may be credited under this chapter;

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

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

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

29 (c) The monthly amount of a retirement benefit for a peace officer

1 or fireman is two percent of the average monthly compensation times the  
2 years of credited service up through 10 years, plus two and one-half  
3 percent of the average monthly compensation times the years of service  
4 over 10 years. For all other employees it is two per cent of the aver-  
5 age monthly compensation times the years of service. The monthly amount  
6 of a retirement benefit for an employee covered by this chapter who is  
7 making contributions under AS 39.30.170 shall be increased by three-  
8 fourths of one per cent of the average monthly compensation times the  
9 years of credited service with the state. An actuarial adjustment must  
10 be made for an early retirement benefit.

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

12 (d) The monthly amount of an occupational disability pension is  
13 the greater of 40 per cent of the disabled employee's gross monthly com-  
14 ensation at the time of termination due to disability or the amount  
15 determined in accordance with AS 39.35.370(c) considering the employee's  
16 credited service and compensation before termination of employment.

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

18 ARTICLE 4. SUPPLEMENTARY EMPLOYEE BENEFITS ON WITHDRAWAL  
19 FROM FEDERAL SOCIAL SECURITY.

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

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

29 (2) for all employees other than those covered under (1) of

1 this subsection, the benefit payable to the beneficiary shall be a lump  
2 sum equal to 12 times the employee's basic monthly compensation at the  
3 time of death;

4 (b) For purposes of this section, "basic monthly compensation at  
5 the time of death" means the employee's basic monthly compensation for  
6 the last full month of employment immediately preceding his death or  
7 disability leading to his death.

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

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

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

26 (d) For all employees other than those covered in (c) of this  
27 section, the monthly disability benefit shall be 60 per cent of the  
28 first \$5,000 of the employee's basic monthly earnings at the date of  
29 disability less any disability benefits the employee is entitled to

1 under Security or any other disability plan to which the state  
2 makes contributions on behalf of that employee. The disability benefit  
3 shall be payable only if the disabled employee fulfills the requirements  
4 set out in this section. The last payment shall be for (1) the  
5 month in which the death of the disabled employee occurs, or (2) the  
6 month in which the employee reaches normal retirement age, or (3) the  
7 month in which the employee reaches the age of 65, whichever comes  
8 first.

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

16 § 39.30.1 BASIC MONTHLY COMPENSATION. In sections 150 - 160 of  
17 this title, "basic monthly compensation" means the amount earned by  
18 the employee during the month, including normal overtime; however,  
19 unusual seasonal overtime or work of a seasonal nature may be ad-  
20 justly reflected in a 12-month average.

21 § 39.30.170. CONTRIBUTIONS. (a) The amounts which both the  
22 state and the employee of the state would have otherwise paid into the  
23 federal Social Security System at the rate then in effect had the state  
24 contributed to the federal Social Security System shall be paid into  
25 the employee benefit account in the Department of Administration to  
26 be used to provide employee retirement and death and disability benefits  
27 for the following groups:

28 (1) employees covered under the Alaska Public Employees'  
29 Retirement System (AS 39.35), except peace officers and firemen (as

1 defined in AS 39.35.680(27));

2 (2) peace officers and firemen covered under AS 39.35 (PERS);

3 (3) employees covered under the Judicial Retirement System  
4 (AS 22.25);

5 (4) emergency, temporary or casual workers not covered under  
6 AS 39.35 (PERS) or AS 14.25 (TRS);

7 (5) employees of the division of marine transportation en-  
8 gaged in operating the state ferry system who are covered by a maritime  
9 union contract and are not covered under AS 39.35 (PERS).

10 (b) There shall be determined the cost of providing the survivor  
11 and disability benefits provided under AS 39.30.150 and AS 39.30.160  
12 expressed as a percentage of payroll for each of the groups set out  
13 under (a) of this section, except that all employees covered under AS  
14 39.35 (PERS) shall be considered as one group for purposes of this  
15 subsection.

16 (c) From the employee benefit accounts established under (a) of  
17 this section, the Department of Administration shall deduct:

18 (1) from each benefit account, the amount determined under  
19 (b) of this section to pay the cost of providing benefits under secs.  
20 150 and 160 of this chapter for each employee in that group;

21 (2) from the account for the group listed in (a)(1) of this  
22 section, an additional 7.1 per cent of gross monthly compensation for  
23 each employee in that group;

24 (3) from the account for the group listed in (a)(2) of this  
25 section, an additional 6.2 per cent of gross monthly compensation for  
26 each employee in that group.

27 (d) The balance in each employee benefit account shall, after  
28 deduction of the amounts specified in (c) of this section, be allocated  
29 on a pro rata basis to those employees for whom contributions under (a)

1 of this section exceeded deductions under (c) of this section and be de-  
2 posited in individual deferred compensation accounts in the names of  
3 those employees. The director of the division of retirement and bene-  
4 fits shall administer the deferred compensation program and shall, by  
5 regulation, establish operating procedures for the program which allow  
6 for deferment of the state and federal income tax until benefits are  
7 receivable in accordance with federal requirements under the Internal  
8 Revenue Code.

9 \* Sec. 7. If approved by employees of the State of Alaska as set out in  
10 sec. 8 of this Act, the state's notice of intention to withdraw from the  
11 federal Social Security System shall be allowed to become effective January  
12 1, 1980.

13 \* Sec. 8. The Department of Administration shall conduct an election by  
14 secret ballot by September 25, 1979. The department shall, at least 90 days  
15 before the election, prepare a list of all affected state employees, in-  
16 cluding permanent, seasonal and temporary employees, who shall be eligible to  
17 vote, along with mailing addresses, and make the list available to interested  
18 persons or employee representative organizations. The question on the ballot  
19 shall read: "Do you favor withdrawal from the Social Security System?" The  
20 ballot shall contain a description of the benefits provided for in this Act  
21 which would be provided in lieu of further benefits under the Social Security  
22 System. No other information concerning the election issue may be distri-  
23 buted with or attached to the ballot. A simple majority of those employees  
24 voting shall determine the outcome of this issue.

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