

Original sponsors: Duncan and Miller

Offered: 5/5/81  
Referred: Finance

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 121 (State Affairs)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to public employees, teachers,  
7 judicial, and National Guard benefits; and providing  
8 for an effective date."

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

10 \* Section 1. AS 14.25.020(a)(1) is repealed and reenacted to read:

11 (1) formulate and recommend to the Alaska Teachers' Retirement  
12 Board regulations to govern the operation of the system;

13 \* Sec. 2. AS 14.25.022 is amended to read:

14 Sec. 14.25.022. REGULATIONS. Regulations adopted by the Alaska  
15 Teachers' Retirement Board [PROMULGATED BY THE ADMINISTRATOR] under  
16 AS 14.25.010 - 14.25.220 relate to the internal management of a state  
17 agency and their adoption is not subject to the Administrative Proce-  
18 dure Act (AS 44.62).

19 \* Sec. 3. AS 14.25.035 is amended by adding a new subsection to read:

20 (1) The board may adopt regulations recommended by the adminis-  
21 trator to carry out this chapter with modifications it considers proper.

22 \* Sec. 4. AS 14.25.050(a) is amended to read:

23 (a) Each [BEGINNING JULY 1, 1970, EACH] teacher shall contribute  
24 to the retirement fund an amount equal to nine [SEVEN] percent of his  
25 base salary accrued from July 1 to the following June 30. The contri-  
26 bution shall be deducted by the employer at the end of each payroll  
27 period.

28 \* Sec. 5. AS 14.25.110(d) is repealed and reenacted to read:

29 (d) The monthly amount of the retirement benefit for a member

1 with less than 10 years credited service is two percent of the member's  
2 average base salary divided by 12 times the years of credited service,  
3 including credited fractional years. The monthly amount of the retire-  
4 ment benefit for a member with at least 10 years but less than 20 years  
5 credited service is two and one-quarter percent of the member's average  
6 base salary divided by 12 times the years of credited service. The  
7 monthly amount of the retirement benefit for a member with at least 20  
8 years of credited service is two and one-half percent of the member's  
9 average base salary divided by 12 times the years of credited service.  
10 An actuarial adjustment must be made for early retirement. An indebted-  
11 ness that exists at the time of retirement must be discharged under  
12 AS 14.25.063(b).

13 \* Sec. 6. AS 14.25.115(a) is amended to read:

14 (a) A teacher in membership service on or after July 1, 1977 who  
15 is appointed to retirement on or after July 1, 1978 may elect to apply  
16 his unused sick leave credit in computing the total number of years of  
17 creditable service under AS 14.25.110(d) [AS 14.25.120(c)(1) AND (4)].  
18 To obtain service credit for unused sick leave, a teacher must apply to  
19 the administrator no later than one year after appointment to retire-  
20 ment. Unused sick leave shall be credited on a day-for-day basis in  
21 accordance with the table for service after July 1, 1969 contained in  
22 AS 14.25.220(40) [AS 14.25.220(16)]. No teacher contributions may be  
23 required for credited unused sick leave.

24 \* Sec. 7. AS 14.25.125(d) is repealed and reenacted to read:

25 (d) The monthly amount of a conditional service retirement  
26 benefit shall be calculated on the years of fully paid membership  
27 service in accordance with AS 14.25.110(d).

28 \* Sec. 8. AS 14.25.130(a) is amended to read:

29 (a) An active [A] member who is terminated as a proximate result

1 of a permanent disability [HAS BECOME PERMANENTLY DISABLED], as defined  
2 in AS 14.25.220, after July 1, 1966, before age 55 and who has five or  
3 more years of membership service may be retired by the administrator as  
4 of the first day of the month following the permanent disability. Af-  
5 ter a report of medical examination of the member, an application, and  
6 other requested information has been submitted, the administrator shall  
7 determine if the member is physically or mentally incapacitated for  
8 further performance of duty, and if the incapacity is likely to be per-  
9 manent and whether the member should receive disability benefits.

10 \* Sec. 9. AS 14.25.143 is repealed and reenacted to read:

11 Sec. 14.25.143. POST-RETIREMENT PENSION ADJUSTMENT. (a) Once  
12 each year the administrator shall increase benefit payments to eligible  
13 disabled members and persons age 55 or older receiving benefits under  
14 this system in the preceding calendar year.

15 (b) The increase in benefit payments applies to total benefit  
16 payments except for the cost-of-living allowance under AS 14.25.142.  
17 The amount of the increase is a percentage of the current benefit equal  
18 to

19 (1) the lesser of 75 percent of the increase in the cost-  
20 of-living in the preceding calendar year or nine percent, for recipients  
21 who on July 1 are at least 65 years old;

22 (2) the lesser of 50 percent of the increase in the cost-  
23 of-living in the preceding calendar year or six percent, for recipients  
24 who on July 1 are at least 60 but less than 65 years old and for  
25 members receiving disability benefits who are less than 65 years old;  
26 and

27 (3) the lesser of 25 percent of the increase in the cost-  
28 of-living in the preceding calendar year or three percent, for recipi-  
29 ents who on July 1 are at least 55 but less than 60 years old.

1 (c) If a recipient was not receiving benefits during the entire  
2 preceding calendar year, the increase in benefits under this section  
3 shall be adjusted by multiplying it by the fraction whose numerator is  
4 the number of months for which benefits were received in the preceding  
5 calendar year and whose denominator is 12.

6 (d) If at the time of first receiving a retirement benefit a  
7 member was receiving a disability benefit under this system, the admin-  
8 istrator shall, at the time the member is appointed to retirement,  
9 increase the retirement benefit by a percentage equal to the total  
10 cumulative percentage increase which has been applied to the member's  
11 disability benefit under this section.

12 (e) When computing a spouse's pension under AS 14.25.164, adjust-  
13 ments granted to the deceased member under this section shall be in-  
14 cluded.

15 (f) An increase in benefit payments under this section is effec-  
16 tive July 1 of each year and is based on the percentage increase in the  
17 consumer price index for Anchorage, Alaska during the previous calendar  
18 year as determined by the United States Department of Labor, Bureau of  
19 Labor Statistics.

20 \* Sec. 10. AS 14.25.168 is repealed and reenacted to read:

21 Sec. 14.25.168. MEDICAL BENEFITS. (a) The following are entitled  
22 to major medical insurance coverage:

23 (1) a person receiving a monthly benefit from the system;

24 (2) the spouse of a person receiving a monthly benefit from  
25 the system;

26 (3) a natural or adopted child of a person receiving a  
27 monthly benefit, if the child is a dependent child as defined in  
28 AS 14.25.220(12).

29 (b) Major medical insurance coverage takes effect on the same

1 date as retirement benefits begin and stops when the retired person or  
2 survivor is no longer eligible to receive a monthly benefit. The  
3 coverage for persons over age 65 is the same as that available for  
4 persons under age 65. The benefits payable to those persons 65 or  
5 older supplement those afforded under the federal old age survivor and  
6 disability insurance program, if any.

7 \* Sec. 11. AS 14.25.220(9) is amended to read:

8 (9) "compensation" means the total remuneration paid under  
9 contract to a member for services rendered during a school year, in-  
10 cluding cost-of-living differentials, payments for leave which is  
11 actually used by the member, the amount by which the member's wages  
12 are reduced under AS 39.30.150(c), and the amount deferred under the  
13 state deferred compensation plan or the tax shelter annuity plan  
14 approved by the Department of Education, but does not include retire-  
15 ment benefits, welfare benefits, per diem, expense allowances, workers'  
16 compensation payments, or payments for leave not used by the member,  
17 whether those leave payments are scheduled payments, lump sum payments,  
18 donations, or cash-ins; for purposes of AS 14.25.050, compensation paid  
19 includes any payment made after June 30 of a school year for services  
20 rendered before the end of the school year;

21 \* Sec. 12. AS 14.25.220(10) is amended to read:

22 (10) "credited service" means all membership service as pro-  
23 vided in (20) of this section, territorial employment as defined in  
24 (41) of this section, plus outside, military, and BIA service not ex-  
25 ceeding 15 years, with outside and military service limited to 10 years  
26 except under the conditions set out in AS 14.25.100;

27 \* Sec. 13. AS 14.25.220 is amended by adding a new paragraph to read:

28 (41) "territorial employment" means non-teaching employment  
29 with the Territory of Alaska as provided under AS 14.25.105; territor-

1 ial employment is not membership service.

2 \* Sec. 14. AS 22.25.011 is amended to read:

3 Sec. 22.25.011. CONTRIBUTIONS. Each justice and judge appointed  
4 after July 1, 1978 shall contribute seven percent of his base annual  
5 salary to the judicial retirement system. Contributions shall be made  
6 for all creditable service under this chapter up to a maximum of 15  
7 years. This contribution is made in the form of a deduction from  
8 compensation, and is made notwithstanding that the compensation paid in  
9 cash to the justice or judge is reduced thereby below the minimum  
10 prescribed by law. Each justice and judge is considered to consent to  
11 the deduction made from his compensation. Payment of compensation less  
12 the deduction constitutes a full and complete discharge and acquittance  
13 of all claims and demands for the services rendered by him during the  
14 period covered by the payment, except as to the benefits provided for  
15 under AS 22.25.010 - 22.25.090. The contributions shall be credited  
16 to the judicial retirement fund established in accordance with AS 22.-  
17 25.048 [INTO THE GENERAL FUND OF THE STATE].

18 \* Sec. 15. AS 22.25 is amended by adding a new section to read:

19 Sec. 22.25.048. ACCOUNTING AND INVESTMENT. (a) The commissioner  
20 of administration shall establish a fund for the judicial retirement  
21 system and shall maintain accounts and records for the judicial retire-  
22 ment system.

23 (b) All income of the judicial retirement fund and all disburse-  
24 ments made by the fund must be credited or charged, whichever is appro-  
25 priate, to the following accounts:

26 (1) an individual account which contains the mandatory  
27 contributions collected from a person under AS 22.25.011;

28 (2) an account which is credited with the contributions of  
29 the state court system;

1 (3) a retirement reserve account; and

2 (4) an expense account for the judicial retirement system  
3 which shall be credited with funds transferred from the account des-  
4 cribed in (b)(2) of this section.

5 (c) Investment of surplus amounts in the fund may be made as  
6 provided in AS 39.35.110.

7 (d) Within one year following retirement, an amount actuarially  
8 determined as necessary to pay fully for the benefits to be received by  
9 a person receiving a benefit under this chapter shall be transferred  
10 first from the individual account described in (b)(1) of this section  
11 and, after the individual contributions have been exhausted, then from  
12 the court system account described in (b)(2) of this section, into the  
13 retirement reserve account described in (b)(3) of this section.

14 (e) The contributions of the court system to the retirement  
15 reserve account shall contain the actuarially determined amount neces-  
16 sary to fully fund the pension, death benefits, and other benefits paid  
17 under the judicial retirement system to a person receiving a benefit  
18 under this chapter.

19 (f) The investment income of the judicial retirement fund shall  
20 be allocated first to the retired reserve account described in (b)(3)  
21 of this section and then to the account described in (b)(2) of this  
22 section.

23 (g) The account described in (b)(4) of this section is charged  
24 with all disbursements representing the administrative expenses in-  
25 curred by the judicial retirement system. Expenditures from this  
26 account shall be included in the budget of the governor for each fiscal  
27 year.

28 \* Sec. 16. AS 22.25.090 is repealed and reenacted to read:

29 Sec. 22.25.090. MEDICAL BENEFITS. (a) The following are

1 entitled to major medical insurance coverage:

2 (1) a person receiving a monthly benefit under this chapter;

3 (2) the spouse of a person receiving a monthly benefit under  
4 this chapter;

5 (3) a natural or adopted child of a person receiving a  
6 monthly benefit under this chapter, if the child is a dependent child  
7 under (c) of this section.

8 (b) Major medical insurance coverage takes effect on the same  
9 date as retirement benefits begin, and stops when the retired person or  
10 survivor is no longer eligible to receive a monthly benefit. The  
11 coverage for persons 65 or older is the same as that available for  
12 persons under 65. The benefits payable to those persons 65 or older  
13 supplement the benefits provided under the federal old age survivor and  
14 disability insurance program, if any.

15 (c) In this section "dependent child" means an unmarried child of  
16 a person receiving a monthly benefit under this chapter, including an  
17 adopted child, who is dependent upon the person for support and who is  
18 either (1) less than 19 years old, or (2) less than 23 years old and  
19 registered at and attending on a full-time basis an accredited educa-  
20 tional or technical institution recognized by the Department of Educa-  
21 tion. The age limits set out in this subsection do not apply to a  
22 child who is totally and permanently disabled.

23 \* Sec. 17. AS 26.05.227 is amended to read:

24 Sec. 26.05.227. DEFINITIONS. As used in AS 26.05.222 - 26.05.228  
25 [AS 26.05.222 - 26.05.226],

26 (1) "beneficiary" means a person designated by a member to  
27 receive benefits that may be due from the system upon the death of a  
28 member;

29 (2) "member" means a commissioned or warrant officer or an

1 enlisted person in the Alaska National Guard or Alaska Naval Militia;

2 (3) "system" means the Alaska National Guard retirement  
3 system.

4 \* Sec. 18. AS 26.05 is amended by adding a new section to read:

5 Sec. 26.05.228. ACCOUNTING AND INVESTMENT. (a) The commissioner  
6 of administration shall establish a fund for the system and maintain  
7 accounts and records for the system.

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

11 (1) an individual account for each retired member of the  
12 system which records the benefits paid under this system to the member  
13 or surviving beneficiary;

14 (2) a separate account for the Department of Military  
15 Affairs' contribution to fund the system based on the actuarial require-  
16 ments of the system as established by the commissioner of administration  
17 under this chapter;

18 (3) an expense account for the system; this account is  
19 charged with all disbursements representing administrative expenses  
20 incurred by the system; expenditures from this account are included in  
21 the governor's budget for each fiscal year.

22 (c) Investment of surplus amounts in the fund may be made as  
23 provided in AS 39.35.110.

24 \* Sec. 19. AS 39.30.090 is amended to read:

25 Sec. 39.30.090. PROCUREMENT OF GROUP INSURANCE. The Department  
26 of Administration may obtain a policy or policies of group insurance  
27 covering state employees, persons entitled to coverage under AS 14.-  
28 25.168, AS 22.25.090 or AS 39.35.535, or [AND] employees of other  
29 participating governmental units subject to the following conditions:

1 (1) A group insurance policy shall provide one or more of  
2 the following benefits: life insurance, accidental death and dismem-  
3 berment insurance, weekly indemnity insurance, hospital expense insur-  
4 ance, surgical expense insurance, dental expense insurance, audio-vis-  
5 ual insurance, or other medical care insurance.

6 (2) Each eligible employee of the state, his spouse and his  
7 unmarried children chiefly dependent on him for support and each eli-  
8 gible employee of another participating governmental unit shall be cov-  
9 ered by the group policy, unless exempt under regulations adopted by  
10 the commissioner of administration.

11 (3) A governmental unit may participate under a group policy  
12 if

13 (A) its governing body adopts a resolution authorizing  
14 participation, and payment of required premiums;

15 (B) a certified copy of the resolution is filed with  
16 the Department of Administration; and

17 (C) the commissioner of administration approves the  
18 participation in writing.

19 (4) (repealed).

20 (5) (repealed).

21 (6) The Department of Administration shall obtain the insur-  
22 ance policy from any insurer authorized to transact business in the  
23 state under AS 21.09 and AS 21.90.

24 (7) The Department of Administration shall make available  
25 bid specifications for desired insurance benefits to all insurance car-  
26 riers licensed in the state and qualified to provide the desired bene-  
27 fits. The specifications shall be made available on or before July 1,  
28 1965, and at least once every succeeding five years. The lowest re-  
29 sponsible bid submitted by an insurance carrier with adequate servicing

1 facilities shall govern selection of a carrier under this section.

2 (8) If the aggregate of dividends payable under the group  
3 insurance policy exceeds the governmental unit's share of the premium,  
4 the excess shall be applied by the governmental unit for the sole bene-  
5 fit of the employees.

6 (9) A person receiving benefits under AS 14.25.110, AS 22.25  
7 or AS 39.35 who is not 65 years of age may continue the [OBTAIN MAJOR  
8 MEDICAL AND] life insurance coverage which was in effect under this  
9 section at the time of his separation from employment with the state or  
10 participating governmental unit [FOR HIMSELF AND ANY DEPENDENTS WHO  
11 HAVE NOT REACHED THE AGE OF 65 YEARS].

12 (10) [A PERSON RECEIVING BENEFITS UNDER AS 14.25.110, AS 22.-  
13 25 OR AS 39.35 WHO IS 65 YEARS OF AGE OR OLDER BUT WHO HAS DEPENDENTS  
14 WHO ARE UNDER 65 MAY OBTAIN MAJOR MEDICAL INSURANCE FOR THESE DEPEN-  
15 DENTS UNDER THIS SECTION.]

16 (11) [A PERSON RECEIVING BENEFITS UNDER AS 14.25.110, AS 22.-  
17 25 OR AS 39.35 MAY OBTAIN MAJOR MEDICAL AND PRESCRIPTION DRUG INSURANCE  
18 UNDER THIS SECTION FOR HIMSELF AND ANY DEPENDENTS TO COVER COSTS WHICH  
19 ARE NOT COVERED BY THE FEDERAL OLD AGE SURVIVOR'S AND DISABILITY INSUR-  
20 ANCE PROGRAM.]

21 (12) A person electing to have insurance under (9) [, (10) OR  
22 (11)] of this section shall pay the cost of this insurance.

23 (13) [NO PERSON MAY ELECT FOR COVERAGE UNDER (9), (10) OR  
24 (11) OF THIS SECTION UNLESS HE WAS OR IS PRESENTLY ELIGIBLE FOR COVER-  
25 AGE UNDER THIS SECTION.]

26 (14) For each permanent part-time employee electing coverage  
27 under this section, the state shall contribute one-half the state con-  
28 tribution rate for permanent full-time state employees, and the perman-  
29 ent part-time employee shall contribute the other one-half.

1 (15) A person receiving benefits under AS 14.25 or AS 39.35  
2 may obtain auditory, visual, and dental insurance for himself under  
3 this section. The level of coverage for persons over 65 shall be the  
4 same as that available before reaching age 65 except that the benefits  
5 payable shall be supplemental to those afforded under the federal old  
6 age [,] survivors [,] and disability insurance program, if any. A  
7 person electing to have insurance under this paragraph shall pay the  
8 cost of the insurance. The commissioner of administration shall adopt  
9 regulations implementing this paragraph.

10 \* Sec. 20. AS 39.30 is amended by adding a new section to read:

11 Sec. 39.30.095. FUND ESTABLISHED. (a) The commissioner of  
12 administration shall establish the group health and life benefits fund  
13 to provide group insurance benefits for group life and health insurance  
14 policies obtained under AS 39.30.090. The commissioner shall maintain  
15 accounts and records for the fund. The fund consists of employer  
16 contributions, employee contributions, appropriations from the legisla-  
17 ture, and interest earned on investment of the fund as provided in (d)  
18 of this section.

19 (b) After obtaining the advice of an actuary, the commissioner of  
20 administration shall determine the amount necessary to provide benefits  
21 under AS 39.30.090 and shall set the rate of employer contribution and  
22 employee contribution, if any. The commissioner of administration  
23 shall pay premiums and claims in accordance with the insurance policies  
24 in effect under AS 39.30.090 with money in the group health and life  
25 benefits fund.

26 (c) The commissioner of administration or his designee is ad-  
27 ministrator of the fund.

28 (d) If the commissioner of administration determines that there  
29 is more money in the fund than the amount needed to pay premiums or

1 benefits for the current fiscal year, the surplus, or so much of it as  
2 the commissioner of administration considers advisable, may be invested  
3 by the commissioner of revenue in the same manner as retirement funds  
4 are invested under AS 39.35.110.

5 (e) In this section, "fund" means the group health and life  
6 benefits fund.

7 \* Sec. 21. AS 39.35.100(b)(1) is amended to read:

8 (1) An [AN] individual account shall be maintained for each  
9 employee to record the amount of his mandatory contributions collected  
10 under AS 39.35.160(a). As of the last day of each calendar year and  
11 each fiscal year beginning with June 30, 1969, this account shall be  
12 credited with interest, by applying one half of the prescribed rate of  
13 interest to the balance in the account as of that date. Within one  
14 year following [UPON] retirement, the amount actuarially determined as  
15 necessary to fully fund the benefits to be received shall be trans-  
16 ferred first from the employee contribution account and, after the em-  
17 ployee contribution account has been exhausted, then from the employer  
18 contribution account into the retirement reserve account.

19 \* Sec. 22. AS 39.35.100(b)(3) is amended to read:

20 (3) A separate account for each employer shall be maintained.  
21 The account shall be credited with contributions of the employer. This  
22 account shall be charged with the employer's actuarial charge for pen-  
23 sion, death benefits, and other benefits paid under this system to or  
24 on behalf of the employee of the employer. After an allowance for in-  
25 terest credited to employee contribution accounts and employee savings  
26 accounts, the investment income of the pension fund shall be allocated  
27 to the retirement reserve account and to each employer asset share  
28 account according to the ratio that the average of the assets in the  
29 [AN EMPLOYER'S] account as of the beginning and as of the end of the

1 fiscal year bears to the total of the average balance of the retirement  
2 reserve account and all employer accounts [EMPLOYERS].

3 \* Sec. 23. AS 39.35.160 is amended to read:

4 Sec. 39.35.160. AMOUNT OF EMPLOYEE CONTRIBUTIONS. While partici-  
5 pating in the system each peace officer and each fireman shall contri-  
6 bute seven [FIVE] percent and every other employee shall contribute six  
7 [FOUR] and one-quarter percent of his compensation to the public em-  
8 ployees' retirement system.

9 \* Sec. 24. AS 39.35.200(b) is amended to read:

10 (b) If, upon termination of employment, an employee has credited  
11 service of less than five years and has less than \$1,000 in his employ-  
12 ee contribution account, a refund of the employee contribution account  
13 and the employee savings account must be made unless the employee indi-  
14 cates in writing that he intends to retire in the future and does not  
15 want a refund of contributions. An employee who is reemployed with an  
16 employer and whose contributions have not been refunded before reem-  
17 ployment [RE-EMPLOYMENT] is not eligible for a refund.

18 \* Sec. 25. AS 39.35.340(g) is amended to read:

19 (g) A surviving spouse receiving or entitled to receive benefits  
20 [A SURVIVING SPOUSE'S PENSION] under AS 39.35.430 or 39.35.440 or bene-  
21 fits under a joint and survivor option filed under AS 39.35.450 is eli-  
22 gible to receive increased benefits based upon military service as de-  
23 scribed in (a) of this section. To receive credited service for mili-  
24 tary service, the surviving spouse must verify the employee's military  
25 service. When verified, the surviving spouse is entitled to receive an  
26 increased benefit which shall be actuarially adjusted to reflect his or  
27 her indebtedness for that credit. The indebtedness shall be calculated  
28 in the same manner as described in (b) of this section except that it  
29 shall be based on the average monthly compensation used in calculating

1 the benefit. Benefits payable under this subsection are effective the  
2 first day of the month following that in which eligibility has been es-  
3 tablished.

4 \* Sec. 26. AS 39.35.360(b) is amended to read:

5 (b) An employee who is entitled to credited service for employ-  
6 ment before January 1, 1961, under (a) of this section is not required  
7 to make retroactive contributions under this chapter.

8 \* Sec. 27. AS 39.35.370(c) is repealed and reenacted to read:

9 (c) The monthly amount of the retirement benefit for a peace  
10 officer or fireman with less than 10 years of credited service is two  
11 percent of the average monthly compensation times the years of credited  
12 service. The monthly amount of the retirement benefit for a peace  
13 officer or fireman with 10 years or more of credited service is two and  
14 one-half percent of the average monthly compensation times the years of  
15 credited service. The monthly amount of the retirement benefit for all  
16 other employees with less than 10 years of credited service is two  
17 percent of the average monthly compensation times the years of credited  
18 service. The monthly amount of the retirement benefit for all other  
19 employees with 10 years or more of credited service but less than 20  
20 years of credited service is two and one-quarter percent of the average  
21 monthly compensation times the years of credited service. The monthly  
22 amount of the retirement benefit for all other employees with 20 years  
23 or more of credited service is two and one-half percent of the average  
24 monthly compensation times the years of credited service. An actuarial  
25 adjustment must be made for an early retirement benefit.

26 \* Sec. 28. AS 39.35.385(d) is repealed and reenacted to read:

27 (d) The monthly amount of a conditional service retirement benefit  
28 shall be calculated in accordance with AS 39.35.370(c).

29 \* Sec. 29. AS 39.35.385(c) is amended to read:

1 (c) Credited service for which contributions were refunded is not  
2 creditable under this section unless the refunded contributions have  
3 been repaid. For purposes of (a) and (b) of this section, a member or  
4 former member does not have to be reemployed under this system in order  
5 to pay refunded contributions. Compound interest at the rate pre-  
6 scribed by regulation must be added to the reinstatement indebtedness  
7 from the date of the refund to the date of repayment.

8 \* Sec. 30. AS 39.35.420(b) is amended to read:

9 (b) If the death of a vested member or deferred vested member oc-  
10 curs from nonoccupational causes, the surviving spouse may at his or  
11 her discretion receive either the amounts set out in (c) [BENEFITS  
12 DESCRIBED IN (a)] of this section or a 50 percent joint and survivor  
13 option based upon credited service to the date of the employee's death  
14 or termination. Benefits accrue from the first day of the month fol-  
15 lowing the employee's death and are payable the last day of the month.

16 \* Sec. 31. AS 39.35.420 is amended by adding a new subsection to read:

17 (c) If no spouse survives the death of a vested or deferred  
18 vested member, the designated beneficiary shall be paid: (1) the  
19 balance of the deceased member's contribution account; (2) the balance  
20 of the deceased member's savings account; (3) the deceased member's  
21 final monthly benefit payment; and (4) a lump-sum death benefit. The  
22 amount of the lump-sum death benefit is \$100 times the years of credited  
23 service of the deceased member plus \$1,000.

24 \* Sec. 32. AS 39.35.430 is amended by adding a new subsection to read:

25 (f) If the death of an employee occurs from occupational causes  
26 but no surviving spouse or dependent children exist at the time of the  
27 death, the employee's designated beneficiary is entitled to receive  
28 those benefits available to a beneficiary under AS 39.35.420(a) or (c).

29 \* Sec. 33. AS 39.35.440(b) is amended to read:

1 (b) Upon the death of a disabled employee who is receiving or is  
2 entitled to receive an occupational disability benefit, a surviving  
3 spouse's pension equal to 40 percent of the employee's [HIS AVERAGE]  
4 monthly compensation at the termination of employment because of occu-  
5 pational disability shall be paid to his surviving spouse. If there is  
6 no surviving spouse, the survivor's pension shall be paid in equal  
7 parts to the dependent children of the employee. On the date the  
8 normal retirement of the employee would have occurred if he had lived,  
9 monthly payments shall equal the monthly amount of the normal retire-  
10 ment benefit to which the employee, had he lived and continued his  
11 employment until his normal retirement date, would have been entitled  
12 with an average monthly compensation as existed at his death and the  
13 credited service to which he would have been entitled. If the death of  
14 an employee occurs from occupational causes but no surviving spouse or  
15 dependent children exist at the time of the death, the employee's  
16 designated beneficiary shall be paid those benefits available to a  
17 beneficiary under AS 39.35.420(a) or (c).

18 \* Sec. 34. AS 39.35.475 is repealed and reenacted to read:

19 Sec. 39.35.475. POST-RETIREMENT PENSION ADJUSTMENT. (a) Once  
20 each year the administrator shall increase benefit payments to eligible  
21 disabled members and persons age 55 or older receiving benefits under  
22 this system in the preceding calendar year.

23 (b) The increase in benefit payments applies to total benefit  
24 payments exclusive only of the cost-of-living allowance under AS 39.-  
25 35.480. The amount of the increase is a percentage of the current  
26 benefit equal to

27 (1) the lesser of 75 percent of the increase in the cost-of-  
28 living in the preceding calendar year or nine percent, for recipients  
29 who on July 1 are at least 65 years old;

1 (2) the lesser of 50 percent of the increase in the cost-of-  
2 living in the preceding calendar year or six percent, for recipients  
3 who on July 1 are at least 60 but less than 65 years old and for members  
4 receiving disability benefits who are less than 65 years old; and

5 (3) the lesser of 25 percent of the increase in the cost-of-  
6 living in the preceding calendar year or three percent, for recipients  
7 who on July 1 are at least 55 but less than 60 years old.

8 (c) If a recipient was not receiving benefits during the entire  
9 preceding calendar year, the increase in benefits under this section  
10 shall be adjusted by multiplying it by the fraction whose numerator is  
11 the number of months for which benefits were received in the preceding  
12 calendar year and whose denominator is 12.

13 (d) If at the time of first receiving a retirement benefit a  
14 member was receiving a disability benefit under this system, the admin-  
15 istrator shall, at the time the member is appointed to retirement,  
16 increase the retirement benefit by a percentage equal to the total  
17 cumulative percentage increase which has been applied to the member's  
18 disability benefit under this section.

19 (e) When computing a joint and survivor benefit under AS 39.35.-  
20 450 or a survivor's benefit under AS 39.35.420 or 39.35.440, adjust-  
21 ments granted to the deceased member under this section shall be in-  
22 cluded.

23 (f) An increase in benefit payments under this section is effec-  
24 tive July 1 of each year and is based on the percentage increase in the  
25 consumer price index for Anchorage, Alaska during the previous calendar  
26 year as determined by the United States Department of Labor, Bureau of  
27 Labor Statistics.

28 \* Sec. 35. AS 39.35.460 is amended to read:

29 Sec. 39.35.460. LEVEL INCOME OPTION. If the payment of a [AN

1 EARLY] retirement pension begins before age 65 [THE EARLIEST AGE AS OF  
2 WHICH THE EMPLOYEE BECOMES ELIGIBLE FOR A PRIMARY SOCIAL SECURITY BENE-  
3 FIT], the amount of pension payable before and after that age may be  
4 adjusted so that an increased amount will be paid before the time that  
5 full social security benefits become available and a reduced amount af-  
6 ter that time, so that the employee may [WILL] receive a more level  
7 [RETIREMENT] income for life. The aggregate value of all adjusted  
8 payments may [, HOWEVER, SHALL] not exceed the actuarial equivalent of  
9 the value of the pension otherwise payable to the employee.

10 \* Sec. 36. AS 39.35 is amended by adding a new section to read:

11 Sec. 39.35.527. ELECTION TO TERMINATE COVERAGE AS A PEACE OFFICER  
12 OR FIREMAN. (a) An employee occupying a position as a peace officer  
13 or fireman may irrevocably elect to relinquish his peace officer or  
14 fireman status with the system and receive credited service other than  
15 as a peace officer or fireman in an amount equal to the credited service  
16 as a peace officer or fireman.

17 (b) An employee who elects to relinquish his peace officer or  
18 fireman status with the system must be currently employed as a peace  
19 officer or fireman and must file a written request with the administra-  
20 tor

21 (1) by January 1, 1982 if the employee wants the election to  
22 be effective January 16, 1982; or

23 (2) within six months of employment or reemployment in a  
24 position in the peace officer or fireman category if the election is to  
25 be effective on the date of employment or reemployment.

26 (c) An employee who relinquishes peace officer or fireman service  
27 under this section shall receive a refund equal to the amount by which  
28 his accumulated contributions exceed the contributions which would  
29 otherwise have been required for the same period of service.

1 \* Sec. 37. AS 39.35.485(a) is amended to read:

2 (a) An employee who is eligible for a benefit calculated in  
3 accordance with AS 39.35.370(c) is entitled to a benefit of at least  
4 \$25 a month for each year of credited service, not including adjust-  
5 ments made under AS 39.35.340 for military service, AS 39.35.350 for  
6 reinstatement of credited service, AS 39.35.360 for credit for earlier  
7 service, AS 39.35.370(c) for early retirement, AS 39.35.420 for non-  
8 occupational death benefits [AS 39.35.380, 39.35.410], AS 39.35.450  
9 for the survivor's option, AS 39.35.460 for the level income option,  
10 AS 39.35.475 for the post-retirement pension adjustment, and AS 39.35.-  
11 480 for the cost of living.

12 \* Sec. 38. AS 39.35.535 is repealed and reenacted to read:

13 Sec. 39.35.535. MEDICAL BENEFITS. (a) The following are entitled  
14 to major medical insurance coverage:

15 (1) a person receiving a monthly benefit from the system;

16 (2) the spouse of a person receiving a monthly benefit from  
17 the system;

18 (3) a natural or adopted child of a person receiving a  
19 monthly benefit from the system, if the child is a dependent child  
20 under AS 39.35.680(11).

21 (b) Major medical insurance coverage takes effect on the same  
22 date as retirement benefits begin, and stops when the retired employee  
23 or survivor is no longer eligible to receive a monthly benefit. The  
24 coverage for persons 65 or older is the same coverage available for a  
25 person under 65. The benefits payable to those persons 65 or older  
26 supplement those afforded under the federal old age survivor and dis-  
27 ability insurance program, if any.

28 \* Sec. 39. AS 39.35.560 is amended to read:

29 Sec. 39.35.560. REQUEST BY PUBLIC ORGANIZATION TO PARTICIPATE AND

ADOPTION OF RESOLUTION. A public organization [~~CREATED~~ WHOLLY OR PART-  
LY BY, OR DERIVING ITS POWERS FROM, THE LEGISLATURE OF THE STATE] may  
request to become an employer in this system. The request shall be  
made after adoption of a resolution by the governing body of the public  
organization. A certified copy of the resolution shall be filed with  
the administrator. If the administrator approves the request for par-  
ticipation, the public organization is an employer of the system.

\* Sec. 40. AS 39.35.680(8) is amended to read:

(8) "compensation" means the total remuneration earned by an  
employee for personal services rendered, including cost-of-living dif-  
ferentials, payments for leave which is actually used by the employee,  
the amount by which the employee's wages are reduced under AS 39.30.-  
150(c), and any amount deferred under the state deferred compensation  
plan, but does not include retirement benefits, welfare benefits, per  
diem, expense allowances, workers' compensation payments or payments  
for [MEDICAL LEAVE OR ANNUAL] leave not used by the employee whether  
those leave payments are scheduled payments, lump-sum payments, dona-  
tions or cash-ins;

\* Sec. 41. AS 39.35.680(13) is amended to read:

(13) "early retirement" means retirement for a member who is  
not eligible for normal retirement and who is at least 50 years old and  
is eligible to receive benefits under AS 39.35.370(b) or under AS 39.-  
35.385(b) or (f) [HAS A MINIMUM OF FIVE YEARS CREDITED SERVICE];

\* Sec. 42. AS 39.35.680(25) is amended to read:

(25) "normal retirement" means retirement for a member who is  
at least 55 years old and is eligible to receive benefits under AS 39.-  
35.370(a) or under AS 39.35.385(a) or (f) [HAS A MINIMUM OF FIVE YEARS  
CREDITED SERVICE, OR WHO IS ANY AGE AND HAS 30 YEARS OR MORE OF CRED-  
ITED SERVICE, OR A PEACE OFFICER OR FIREMAN WHO IS ANY AGE AND HAS 20

1 YEARS OR MORE OF CREDITED SERVICE];

2 \* Sec. 43. AS 39.35.680(27) is amended to read:

3 (27) "peace officer" or "fireman" means an employee occupying  
4 a position as a peace officer, chief of police, correctional officer,  
5 correctional superintendent, [QUALIFIED EMPLOYEE OF THE DEPARTMENT OF  
6 FISH AND GAME,] fireman, or fire chief;

7 \* Sec. 44. AS 39.35.680 is amended by adding a new paragraph to read:

8 (39) "public organization" means an organization or entity

9 (A) created by the constitution or laws of the state for  
10 the purpose of administering state programs;

11 (B) whose officers and employees are paid by a method  
12 other than by the state payroll prepared by the Department of  
13 Administration; and

14 (C) whose employees are not required by law to partici-  
15 pate in the system.

16 \* Sec. 45. AS 39.35.680(32) is repealed.

17 \* Sec. 46. A person holding a position as a "qualified employee of the  
18 Department of Fish and Game" on June 30, 1981, shall continue to be treated  
19 as a peace officer under AS 39.35 until he

20 (1) terminates his employment with the Department of Fish and Game  
21 before eligibility for or appointment to retirement or disability; or

22 (2) elects to irrevocably relinquish his peace officer status  
23 under AS 39.35.527.

24 \* Sec. 47. Sections 9 and 34 of this Act apply to persons receiving  
25 benefits under the retirement systems on the effective date of this Act.  
26 Benefits shall be recomputed as of July 1, 1981, under AS 14.25.143 and  
27 AS 39.35.475 to include adjustments under AS 14.25.143 or AS 39.35.475 for  
28 each year since the person first began receiving a benefit. If the recom-  
29 puted benefit exceeds the current benefit, the current benefit shall be

1 increased accordingly effective July 1, 1982. Payment of the increased  
2 benefit shall begin no later than January 1, 1982, but no retroactive  
3 benefit payments may be made under this section for any period before  
4 July 1, 1981.

5 \* Sec. 48. Sections 5 and 27 of this Act take effect July 1, 1982.

6 \* Sec. 49. Sections 1 - 4, 6 - 26, and 28 - 47 of this Act take effect  
7 July 1, 1981.

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