

Original sponsors: Duncan and Miller

Offered: 6/23/81
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 121 (Finance)

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 the public employees, teachers,
7 judicial, National Guard, and elected public officer
8 benefits; and providing for an effective date."

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

10 * Section 1. AS 14.20.345(d) is amended to read:

11 (d) The governing body of the district may agree to continue the
12 teacher's retirement contributions if the teacher agrees to pay the
13 percentage required under AS 14.25.050 [REQUIRED SEVEN PERCENT] of the
14 salary the teacher [HE] would have received during the [HIS] leave of
15 absence and reimburse the district for the district's required retire-
16 ment contribution. Each year of leave of absence then would count as a
17 year of retirement service.

18 * Sec. 2. AS 14.25.020(a)(1) is repealed and reenacted to read:

19 (1) formulate and recommend to the Alaska Teachers' Retire-
20 ment Board regulations to govern the operation of the system;

21 * Sec. 3. AS 14.25.022 is amended to read:

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

27 * Sec. 4. AS 14.25.035 is amended by adding a new subsection to read:

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

1 * Sec. 5. AS 14.25.050(a) is amended to read:

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

7 * Sec. 6. AS 14.25.060(a) is repealed and reenacted to read:

8 (a) If a member has military service or Alaska Bureau of Indian
9 Affairs (BIA) service, or if a member joined the system before July 1,
10 1978, and has creditable outside service, the member is indebted to the
11 retirement fund as follows:

12 (1) For a member first hired before July 1, 1978, the arrear-
13 age indebtedness for creditable outside service is seven percent of the
14 base salary multiplied by the total number of years of creditable out-
15 side service. Compound interest at the rate prescribed by regulation
16 shall be added to the arrearage indebtedness beginning July 1, 1963, or
17 at the time of first becoming employed as a member, whichever is later,
18 to the date of payment or the date of retirement, whichever occurs first.

19 (2) For a member first hired before July 1, 1982, the arrear-
20 age indebtedness for creditable military and Alaska BIA service is
21 seven percent of the base salary multiplied by the total number of
22 years of military and Alaska BIA service. For a member first hired on
23 or after July 1, 1982, the arrearage indebtedness for military and
24 Alaska BIA service is nine percent of the base salary multiplied by the
25 total number of years of creditable military and Alaska BIA service.
26 Compound interest at the rate prescribed by regulation shall be added
27 to the arrearage indebtedness beginning July 1, 1963, or at the time of
28 first becoming employed as a member, whichever is later, to the date of
29 payment or the date of retirement, whichever occurs first.

1 (3) If a member terminates from the system and is sub-
2 sequently reemployed as a member before July 1, 1982, the arrearage
3 indebtedness to the retirement fund for outside, military, or Alaska
4 BIA service accumulated in the interim is seven percent of the base
5 salary upon reentering membership service, multiplied by the number of
6 years of interim outside, military, and Alaska BIA service. If a
7 member terminates from the system and is subsequently reemployed as a
8 member on or after July 1, 1982, the arrearage indebtedness to the
9 retirement fund for outside, military, or Alaska BIA service accumulated
10 in the interim is nine percent of the base salary upon reentering
11 membership service, multiplied by the number of years of interim out-
12 side, military, and Alaska BIA service. Compound interest at the rate
13 prescribed by regulation shall be added to the arrearage indebtedness
14 beginning July 1, 1963, or the date of reemployment as a member, which-
15 ever is later, to the date of payment or the date of retirement, which-
16 ever occurs first.

17 * Sec. 7. AS 14.25.110(d) is repealed and reenacted to read:

18 (d) The monthly amount of the retirement benefit for a member
19 with less than 10 years credited service is two percent of the member's
20 average base salary divided by 12 times the years of credited service,
21 including credited fractional years. The monthly amount of the retire-
22 ment benefit for a member with at least 10 years but less than 20 years
23 credited service is two and one-quarter percent of the member's average
24 base salary divided by 12 times the years of credited service. The
25 monthly amount of the retirement benefit for a member with at least 20
26 years of credited service is two and one-half percent of the member's
27 average base salary divided by 12 times the years of credited service.
28 An actuarial adjustment must be made for early retirement. An indebted-
29 ness that exists at the time of retirement must be discharged under

AS 14.25.063(b).

* Sec. 8. AS 14.25.115(a) is amended to read:

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

* Sec. 9. AS 14.25.125(d) is repealed and reenacted to read:

(d) The monthly amount of a conditional service retirement benefit shall be calculated on the years of fully paid membership service only, in accordance with AS 14.25.110(d), except that

(1) a member may irrevocably elect to substitute "average monthly compensation" as defined in AS 39.35.680(4) in place of the member's average base salary, divided by 12; and

(2) in determining the percentage multiplier for each year of service under AS 14.25.110(d) the years of credited service under AS 39.35 shall also be considered.

* Sec. 10. AS 14.25.130(a) is amended to read:

(a) An active [A] member who is terminated as a proximate result of a permanent disability [HAS BECOME PERMANENTLY DISABLED], as defined in AS 14.25.220, after July 1, 1966, before age 55 and who has five or more years of membership service may be retired by the administrator as of the first day of the month following the permanent disability. After a report of medical examination of the member, an application, and

1 other requested information has been submitted, the administrator shall
2 determine if the member is physically or mentally incapacitated for
3 further performance of duty, and if the incapacity is likely to be per-
4 manent and whether the member should receive disability benefits.

5 * Sec. 11. AS 14.25.143 is repealed and reenacted to read:

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

10 (b) The increase in benefit payments applies to total benefit
11 payments except for the cost-of-living allowance under AS 14.25.142.
12 The amount of the increase is a percentage of the current benefit equal
13 to

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

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

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

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

29 (d) If at the time of first receiving a retirement benefit a

1 member was receiving a disability benefit under this system, the admin-
2 istrator shall, at the time the member is appointed to retirement,
3 increase the retirement benefit by a percentage equal to the total
4 cumulative percentage increase which has been applied to the member's
5 disability benefit under this section.

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

9 (f) An increase in benefit payments under this section is effec-
10 tive July 1 of each year and is based on the percentage increase in the
11 consumer price index for urban wage earners and clerical workers for
12 Anchorage, Alaska during the previous calendar year as determined by
13 the United States Department of Labor, Bureau of Labor Statistics.

14 * Sec. 12. AS 14.25.168 is repealed and reenacted to read:

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

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

18 (2) the spouse of a person receiving a monthly benefit from
19 the system;

20 (3) a natural or adopted child of a person receiving a
21 monthly benefit, if the child is a dependent child as defined in AS 14.-
22 25.220(12).

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

1 * Sec. 13. AS 14.25.220(9) is amended to read:

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

15 * Sec. 14. AS 14.25.220(10) is amended to read:

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

21 * Sec. 15. AS 14.25.220 is amended by adding a new paragraph to read:

22 (41) "territorial employment" means non-teaching employment
23 with the Territory of Alaska as provided under AS 14.25.105; territor-
24 ial employment is not membership service.

25 * Sec. 16. AS 22.25.011 is amended to read:

26 Sec. 22.25.011. CONTRIBUTIONS. Each justice and judge appointed
27 after July 1, 1978 shall contribute seven percent of the [HIS] base
28 annual salary received by the justice or judge to the judicial retire-
29 ment system. Contributions shall be made for all creditable service

1 under this chapter up to a maximum of 15 years. This contribution is
2 made in the form of a deduction from compensation, and is made notwith-
3 standing that the compensation paid in cash to the justice or judge is
4 reduced thereby below the minimum prescribed by law. Each justice and
5 judge is considered to consent to the deduction [MADE] from [HIS]
6 compensation. Payment of compensation less the deduction constitutes a
7 full and complete discharge and acquittance of all claims and demands
8 for the services rendered by the justice or judge [HIM] during the
9 period covered by the payment, except as to the benefits provided for
10 under AS 22.25.010 - 22.25.090. The contributions shall be credited
11 to the judicial retirement fund established in accordance with AS 22.-
12 25.048 [INTO THE GENERAL FUND OF THE STATE].

13 * Sec. 17. AS 22.25 is amended by adding a new section to read:

14 Sec. 22.25.048. ACCOUNTING AND INVESTMENT. (a) The commissioner
15 of administration shall establish a fund for the judicial retirement
16 system and shall maintain accounts and records for the judicial retire-
17 ment system.

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

21 (1) an individual account that contains the mandatory contri-
22 butions collected from a person under AS 22.25.011;

23 (2) an account that is credited with the contributions of
24 the state court system;

25 (3) a retirement reserve account; and

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

29 (c) Investment of surplus amounts in the fund may be made as

1 provided in AS 39.35.110.

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

9 (e) The contributions of the court system to the retirement
10 reserve account shall contain the actuarially determined amount neces-
11 sary to fully fund the pension, death benefits, and other benefits paid
12 under the judicial retirement system to a person receiving a benefit
13 under this chapter.

14 (f) The investment income of the judicial retirement fund shall
15 be allocated in proportion to the balances of assets first to the
16 retired reserve account described in (b)(3) of this section and then to
17 the account described in (b)(2) of this section.

18 (g) The account described in (b)(4) of this section is charged
19 with all disbursements representing the administrative expenses in-
20 curred by the judicial retirement system. Expenditures from this
21 account shall be included in the budget of the governor for each fiscal
22 year.

23 * Sec. 18. AS 22.25.090 is repealed and reenacted to read:

24 Sec. 22.25.090. MEDICAL BENEFITS. (a) The following are entitled
25 to major medical insurance coverage:

- 26 (1) a person receiving a monthly benefit under this chapter;
27 (2) the spouse of a justice, judge, or administrative direc-
28 tor receiving a monthly benefit under this chapter;
29 (3) a natural or adopted child of a justice, judge, or

1 administrative director receiving a monthly benefit under this chapter,
2 if the child is a dependent child under (c) of this section.

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

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

19 * Sec. 19. AS 26.05.227 is amended to read:

20 Sec. 26.05.227. DEFINITIONS. As used in AS 26.05.222 - 26.05.228
21 [AS 26.05.222 - 26.05.226],

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

25 (2) "member" means a commissioned or warrant officer or an
26 enlisted person in the Alaska National Guard or Alaska Naval Militia;

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

29 * Sec. 20. AS 26.05 is amended by adding a new section to read:

1 Sec. 26.05.228. ACCOUNTING AND INVESTMENT. (a) The commissioner
2 of administration shall establish a fund for the system and maintain
3 accounts and records for the system.

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

7 (1) an individual account for each retired member of the
8 system that records the benefits paid under this system to the member
9 or surviving beneficiary;

10 (2) a separate account for the Department of Military Affairs'
11 contribution to fund the system based on the actuarial requirements of
12 the system as established by the commissioner of administration under
13 this chapter;

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

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

20 * Sec. 21. AS 39.30.090 is amended to read:

21 Sec. 39.30.090. PROCUREMENT OF GROUP INSURANCE. The Department
22 of Administration may obtain a policy or policies of group insurance
23 covering state employees, persons entitled to coverage under AS 14.-
24 25.168, AS 22.25.090, AS 39.35.535, or under former AS 39.37.145 or
25 [AND] employees of other participating governmental units subject to
26 the following conditions:

27 (1) A group insurance policy shall provide one or more of
28 the following benefits: life insurance, accidental death and dismem-
29 berment insurance, weekly indemnity insurance, hospital expense insur-

1 ance, surgical expense insurance, dental expense insurance, audio-vis-
2 ual insurance, or other medical care insurance.

3 (2) Each eligible employee of the state, the [HIS] spouse
4 and the [HIS] unmarried children chiefly dependent on the eligible
5 employee [HIM] for support and each eligible employee of another parti-
6 cipating governmental unit shall be covered by the group policy, unless
7 exempt under regulations adopted by the commissioner of administration.

8 (3) A governmental unit may participate under a group policy
9 if

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

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

14 (C) the commissioner of administration approves the
15 participation in writing.

16 (4) (repealed).

17 (5) (repealed).

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

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

28 (8) If the aggregate of dividends payable under the group
29 insurance policy exceeds the governmental unit's share of the premium,

1 the excess shall be applied by the governmental unit for the sole bene-
2 fit of the employees.

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

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

13 (11) [A PERSON RECEIVING BENEFITS UNDER AS 14.25.110, AS 22.-
14 25 OR AS 39.35 MAY OBTAIN MAJOR MEDICAL AND PRESCRIPTION DRUG INSURANCE
15 UNDER THIS SECTION FOR HIMSELF AND ANY DEPENDENTS TO COVER COSTS WHICH
16 ARE NOT COVERED BY THE FEDERAL OLD AGE SURVIVOR'S AND DISABILITY INSUR-
17 ANCE PROGRAM.]

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

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

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

27 (15) A person receiving benefits under AS 14.25 or AS 39.35
28 may obtain auditory, visual, and dental insurance [FOR HIMSELF] under
29 this section. The level of coverage for persons over 65 shall be the

1 same as that available before reaching age 65 except that the benefits
2 payable shall be supplemental to those afforded under the federal old
3 age [,] survivors [,] and disability insurance program, if any. A
4 person electing to have insurance under this paragraph shall pay the
5 cost of the insurance. The commissioner of administration shall adopt
6 regulations implementing this paragraph.

7 * Sec. 22. AS 39.30 is amended by adding a new section to read:

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

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

23 (c) The commissioner of administration or the designee of the
24 commissioner is administrator of the fund.

25 (d) If the commissioner of administration determines that there
26 is more money in the fund than the amount needed to pay premiums or
27 benefits for the current fiscal year, the surplus, or so much of it as
28 the commissioner of administration considers advisable, may be invested
29 by the commissioner of revenue in the same manner as retirement funds

1 are invested under AS 39.35.110.

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

4 * Sec. 23. AS 39.35.100(b)(1) is amended to read:

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

16 * Sec. 24. AS 39.35.100(b)(3) is amended to read:

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

29 * Sec. 25. AS 39.35.160 is amended to read:

1 Sec. 39.35.160. AMOUNT OF EMPLOYEE CONTRIBUTIONS. While partici-
2 pating in the system each peace officer and each fireman shall contri-
3 bute seven [FIVE] percent and every other employee shall contribute six
4 [FOUR] and one-quarter percent of their [HIS] compensation to the
5 public employees' retirement system.

6 * Sec. 26. AS 39.35.200(b) is amended to read:

7 (b) If, upon termination of employment, an employee has credited
8 service of less than five years and has less than \$1,000 in the [HIS]
9 employee contribution account, a refund of the employee contribution
10 account and the employee savings account must be made unless the
11 employee indicates in writing that future retirement is intended and
12 contributions should not be refunded. An employee who is reemployed
13 with an employer and whose contributions have not been refunded before
14 reemployment [RE-EMPLOYMENT] is not eligible for a refund.

15 * Sec. 27. AS 39.35 is amended by adding a new section to article 5 to
16 read:

17 Sec. 39.35.305. CREDITED SERVICE FOR EMPLOYMENT WITH THE DIVISION
18 OF MARINE TRANSPORTATION. (a) A vested employee who is a member of
19 the system on July 1, 1981, is entitled to credited service for periods
20 of employment before January 1, 1977, with the division of marine
21 transportation for which the employee was credited with service under a
22 marine retirement trust. The credited service allowed under this
23 section may not exceed an aggregate of five years. Benefits are not
24 payable on service credited under this section unless the employee
25 makes retroactive contributions to the system for the period of time
26 for which service credit is claimed.

27 (b) In order to obtain credited service under this section, an
28 employee shall make an election to do so and shall verify the period of
29 service. When eligibility for credited service has been established,

an indebtedness shall be determined as follows: (1) the employee's actual compensation, or the calculated annual compensation for an employee working less than 12 months, during the calendar year 1981 or the year in which an employee first becomes vested under this chapter, whichever is later, multiplied by (2) eight percent, and this product multiplied by (3) the number years of service credited under this section. Interest as prescribed by regulation accrues on this indebtedness beginning on July 1, 1981, or one year following the date a person first becomes vested, whichever is later. Any outstanding indebtedness that exists at the time a person is appointed to retirement will necessitate an actuarial adjustment to the benefits payable based upon service credited under this section.

* Sec. 28. AS 39.35.340(b) is amended to read:

(b) In order to obtain credited service under this section, an employee shall make an election to do so and shall verify the [HIS] period of military service. When eligibility for credited service for military service has been established, an indebtedness shall be determined as follows: (1) the employee's actual compensation, or the calculated annual compensation for those employees working less than 12 months, during the calendar year 1976 or the year in which an employee first becomes vested under this chapter, whichever is later, multiplied by (2) [SIX PERCENT, THIS PRODUCT MULTIPLIED BY (3)] the number of years of military service credited under this section, and this product multiplied by (3) six percent for members who are first eligible to claim this military service before July 1, 1982, or eight percent for members who are first eligible to claim this military service on or after July 1, 1982. Interest as prescribed by regulation accrues on this indebtedness beginning [COMMENCING] on July 1, 1977, or one year following the date a person first becomes vested, whichever is later.

1 Any outstanding indebtedness that [WHICH] exists at the time a person
2 is appointed to retirement will necessitate an actuarial adjustment to
3 the benefits payable based upon that military service.

4 * Sec. 29. AS 39.35.340(g) is amended to read:

5 (g) A surviving spouse receiving or entitled to receive benefits
6 [A SURVIVING SPOUSE'S PENSION] under AS 39 35.420(b), 39.35.430 or
7 39.35.440 or benefits under a joint and survivor option filed under
8 AS 39.35.450 is eligible to receive increased benefits based upon
9 military service as described in (a) of this section. To receive
10 credited service for military service, the surviving spouse must verify
11 the employee's military service. When verified, the surviving spouse
12 is entitled to receive an increased benefit which shall be actuarially
13 adjusted to reflect his or her indebtedness for that credit. The
14 indebtedness shall be calculated in the same manner as described in (b)
15 of this section except that it shall be based on the average monthly
16 compensation used in calculating the benefit. Benefits payable under
17 this subsection are effective the first day of the month following that
18 in which eligibility has been established.

19 * Sec. 30. AS 39.35.345 is repealed and reenacted to read:

20 Sec. 39.35.345. TEMPORARY SERVICE CREDIT. (a) A vested employee
21 is entitled to credited service for periods in which he regularly
22 rendered full-time personal service to an employer but was not qualified
23 to participate in the system because of the exclusion of temporary
24 workers as described in AS 39.35.680(21)(C)(iii). Benefits are not
25 payable on this credited service unless the employee makes retroactive
26 contributions to the system for the period of time that credited service
27 is claimed. When the employee claims retroactive credited service, an
28 indebtedness of the employee to the system shall be established. The
29 amount of this indebtedness is equal to the contributions the employee

1 should have made if he had been eligible for membership in the system.

2 (b) To obtain credited service under this section, an employee
3 must elect to do so and must verify his period of temporary service
4 before July 1, 1982, or within one year following the date when the
5 employee first becomes vested under this chapter, if later. When
6 eligibility for temporary service credit has been established, an
7 indebtedness shall be determined as provided in (a) of this section.
8 Interest as prescribed by regulation accrues on that indebtedness
9 beginning July 1, 1982, or one year following the date an employee
10 first becomes vested, whichever is later. Any outstanding indebtedness
11 existing at the time an employee retires will require an actuarial
12 adjustment to the benefits payable based on the temporary service.

13 (c) A deferred vested employee on July 1, 1981, is eligible to
14 claim credited service under (a) of this section. To obtain credited
15 service under this section, a deferred vested employee must elect to do
16 so and must verify his period of temporary service before July 1, 1982.
17 When eligibility for temporary service credit has been established, an
18 indebtedness shall be determined as provided in (a) of this section.
19 Interest as prescribed by regulation accrues on that indebtedness
20 beginning July 1, 1982. Any outstanding indebtedness existing at the
21 time a deferred vested employee retires will require an actuarial
22 adjustment to the benefits payable based on the temporary service.

23 (d) The credited service granted under this section may be used
24 to satisfy the credited service requirements for normal or early retire-
25 ment.

26 * Sec. 31. AS 39.35.360(b) is amended to read:

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

1 * Sec. 32. AS 39.35.370(c) is repealed and reenacted to read:

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

19 * Sec. 33. AS 39.35.370 is amended by adding a new subsection to read:

20 (g) A member may not receive retirement benefits under this
21 section based on a period of employment for which the member received
22 credited service under AS 39.35.305 if the member is receiving retire-
23 ment benefits from a marine retirement trust based on the same period
24 of employment.

25 * Sec. 34. AS 39.35.385(d) is repealed and reenacted to read:

26 (d) The monthly amount of a conditional service retirement benefit
27 shall be calculated in accordance with AS 39.35.370(c), except that

28 (1) the member may irrevocably elect to substitute one-
29 twelfth of the "average base salary" as defined in AS 14.25.220(5) in

1 place of average monthly compensation; and

2 (2) in determining the percentage multiplier for each year
3 of service under AS 39.35.370(c) the years of credited service under
4 AS 14.25 shall also be considered.

5 * Sec. 35. AS 39.35.385(c) is amended to read:

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

13 * Sec. 36. AS 39.35.420(b) is amended to read:

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

21 * Sec. 37. AS 39.35.420 is amended by adding a new subsection to read:

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

29 * Sec. 38. AS 39.35.430 is amended by adding a new subsection to read:

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

5 * Sec. 39. AS 39.35.440(b) is amended to read:

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

24 * Sec. 40. AS 39.35.475 is repealed and reenacted to read:

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

29 (b) The increase in benefit payments applies to total benefit

1 payments exclusive only of the cost-of-living allowance under AS 39.-
2 35.480. The amount of the increase is a percentage of the current
3 benefit equal to

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

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

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

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

19 (d) If at the time of first receiving a retirement benefit a
20 member was receiving a disability benefit under this system, the admin-
21 istrator shall, at the time the member is appointed to retirement,
22 increase the retirement benefit by a percentage equal to the total
23 cumulative percentage increase which has been applied to the member's
24 disability benefit under this section.

25 (e) When computing a joint and survivor benefit under AS 39.35.-
26 450 or a survivor's benefit under AS 39.35.420 or 39.35.440, adjust-
27 ments granted to the deceased member under this section shall be in-
28 cluded.

29 (f) An increase in benefit payments under this section is effec-

1 tive July 1 of each year and is based on the percentage increase in the
2 consumer price index for urban wage earners and clerical workers for
3 Anchorage, Alaska during the previous calendar year as determined by
4 the United States Department of Labor, Bureau of Labor Statistics.

5 * Sec. 41. AS 39.35.460 is amended to read:

6 Sec. 39.35.460. LEVEL INCOME OPTION. If the payment of a [AN
7 EARLY] retirement pension begins before age 65 [THE EARLIEST AGE AS OF
8 WHICH THE EMPLOYEE BECOMES ELIGIBLE FOR A PRIMARY SOCIAL SECURITY BENE-
9 FIT], the amount of pension payable before and after that age may be
10 adjusted so that an increased amount will be paid before the time that
11 full social security benefits become available and a reduced amount af-
12 ter that time, so that the employee may [WILL] receive a more level
13 [RETIREMENT] income for life. The aggregate value of all adjusted
14 payments may [, HOWEVER, SHALL] not exceed the actuarial equivalent of
15 the value of the pension otherwise payable to the employee.

16 * Sec. 42. AS 39.35 is amended by adding a new section to read:

17 Sec. 39.35.527. ELECTION TO TERMINATE COVERAGE AS A PEACE OFFICER
18 OR FIREMAN. (a) An employee occupying a position as a peace officer
19 or fireman may irrevocably elect to relinquish peace officer or fireman
20 status with the system and receive credited service other than as a
21 peace officer or fireman in an amount equal to the credited service as
22 a peace officer or fireman.

23 (b) An employee who elects to relinquish peace officer or fireman
24 status with the system must be currently employed as a peace officer or
25 fireman and must file a written request with the administrator

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

28 (2) within six months of employment or reemployment in a
29 position in the peace officer or fireman category if the election is to

1 be effective on the date of employment or reemployment.

2 (c) An employee who relinquishes peace officer or fireman service
3 under this section shall receive a refund equal to the amount by which
4 the employee's accumulated contributions exceed the contributions which
5 would otherwise have been required for the same period of service.

6 * Sec. 43. AS 39.35.485(a) is amended to read:

7 (a) An employee who is eligible for a benefit calculated in
8 accordance with AS 39.35.370(c) is entitled to a benefit of at least
9 \$25 a month for each year of credited service, not including adjust-
10 ments made under AS 39.35.340 for military service, AS 39.35.350 for
11 reinstatement of credited service, AS 39.35.360 for credit for earlier
12 service, AS 39.35.370(c) for early retirement, AS 39.35.420 for non-
13 occupational death benefits [AS 39.35.380, 39.35.410], AS 39.35.450
14 for the survivor's option, AS 39.35.460 for the level income option,
15 AS 39.35.475 for the post-retirement pension adjustment, and AS 39.35.-
16 480 for the cost of living.

17 * Sec. 44. AS 39.35.535 is repealed and reenacted to read:

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

- 20 (1) a person receiving a monthly benefit from the system;
21 (2) the spouse of a person receiving a monthly benefit from
22 the system;
23 (3) a natural or adopted child of a person receiving a
24 monthly benefit from the system, if the child is a dependent child
25 under AS 39.35.680(11).

26 (b) Major medical insurance coverage takes effect on the same
27 date as retirement benefits begin, and stops when the retired employee
28 or survivor is no longer eligible to receive a monthly benefit. The
29 coverage for persons 65 or older is the same coverage available for a

1 person under 65. The benefits payable to those persons 65 or older
2 supplement those afforded under the federal old age survivor and dis-
3 ability insurance program, if any.

4 * Sec. 45. AS 39.35.560 is amended to read:

5 Sec. 39.35.560. REQUEST BY PUBLIC ORGANIZATION TO PARTICIPATE AND
6 ADOPTION OF RESOLUTION. A public organization [CREATED WHOLLY OR PARTLY
7 BY, OR DERIVING ITS POWERS FROM, THE LEGISLATURE OF THE STATE] may
8 request to become an employer in this system. The request shall be
9 made after adoption of a resolution by the governing body of the public
10 organization. A certified copy of the resolution shall be filed with
11 the administrator. If the administrator approves the request for par-
12 ticipation, the public organization is an employer of the system.

13 * Sec. 46. AS 39.35.680(8) is amended to read:

14 (8) "compensation" means the total remuneration earned by an
15 employee for personal services rendered, including cost-of-living dif-
16 ferentials, payments for leave that is actually used by the employee,
17 the amount by which the employee's wages are reduced under AS 39.30.-
18 150(c), and any amount deferred under the state deferred compensation
19 plan, but does not include retirement benefits, welfare benefits, per
20 diem, expense allowances, workers' compensation payments or payments
21 for [MEDICAL LEAVE OR ANNUAL] leave not used by the employee whether
22 those leave payments are scheduled payments, lump-sum payments, dona-
23 tions or cash-ins;

24 * Sec. 47. AS 39.35.680(13) is amended to read:

25 (13) "early retirement" means retirement for a member who is
26 not eligible for normal retirement and who is at least 50 years old and
27 is eligible to receive benefits under AS 39.35.370(b) or under AS 39.-
28 35.385(b) or (f) [HAS A MINIMUM OF FIVE YEARS CREDITED SERVICE];

29 * Sec. 48. AS 39.35.680(25) is amended to read:

1 (25) "normal retirement" means retirement for a member who is
2 at least 55 years old and is eligible to receive benefits under AS 39.-
3 35.370(a) or under AS 39.35.385(a) or (f) [HAS A MINIMUM OF FIVE YEARS
4 CREDITED SERVICE, OR WHO IS ANY AGE AND HAS 30 YEARS OR MORE OF CRED-
5 ITED SERVICE, OR A PEACE OFFICER OR FIREMAN WHO IS ANY AGE AND HAS 20
6 YEARS OR MORE OF CREDITED SERVICE];

7 * Sac. 49. AS 39.35.680(27) is amended to read:

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

12 * Sec. 50. AS 39.35.680 is amended by adding a new paragraph to read:

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

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

16 (B) whose officers and employees are paid by a method
17 other than by the state payroll prepared by the Department of
18 Administration; and

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

21 * Sec. 51. AS 39.35.680(32) is repealed.

22 * Sec. 52. A person holding a position as a "qualified employee of the
23 Department of Fish and Game" on June 30, 1981, shall continue to be treated
24 as a peace officer under AS 39.35 until that person

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

27 (2) elects to irrevocably relinquish peace officer status under
28 AS 39.35.527.

29 * Sec. 53. (a) Notwithstanding the provisions of former AS 39.37.040(a)

1 and (c), an elected public officer eligible for retirement benefits under
2 former AS 39.37 is eligible to receive retirement pay under former AS 39.37
3 after he has reached age 55 or an actuarially reduced equivalent retirement
4 pay after he has reached age 50 or upon attaining 20 years of creditable
5 service.

6 (b) An elected public officer eligible for retirement benefits under
7 former AS 39.37 may elect to receive full retirement benefits with no
8 actuarial reduction upon attaining 20 years of creditable service if, begin-
9 ning the first day of the month following an election made under this sub-
10 section, the elected public officer contributes to the retirement system two
11 percent of his compensation in addition to the contribution required under
12 former AS 39.37.070(a). An election under this subsection is irrevocable
13 and must be made in writing to the commissioner of administration no later
14 than December 31, 1982.

15 * Sec. 54. Sections 11 and 40 of this Act apply to persons receiving
16 benefits under the retirement systems on July 1, 1982. Benefits shall be
17 recomputed as of July 1, 1982, under AS 14.25.143 and AS 39.35.475 to include
18 adjustments under AS 14.25.143 or AS 39.35.475 for each year since the
19 person first began receiving a benefit. If the recomputed benefit exceeds
20 the current benefit, the current benefit shall be increased accordingly
21 effective July 1, 1982. Payment of the increased benefit shall begin no
22 later than January 1, 1983, but no retroactive benefit payments may be made
23 under this section for any period before July 1, 1982.

24 * Sec. 55. Sections 5 - 7, 11, 25, 28, 32, 40, and 54 of this Act take
25 effect July 1, 1982.

26 * Sec. 56. Sections 1 - 4, 8 - 10, 12 - 24, 26, 27, 29 - 31, 33 - 39,
27 and 41 - 53 of this Act take effect July 1, 1981.
28
29