

Original sponsor: Ray

Offered: 6/11/81  
Referred: Finance

1 IN THE SENATE BY THE STATE AFFAIRS COMMITTEE  
2 CS FOR SENATE BILL NO. 400 (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 the 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 14.20.345(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 AS 14.25.020(a)(1) is repealed and reenacted to read: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 AS 14.25.060(a) is repealed and reenacted to read: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

1 AS 14.25.063(b).

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

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

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 AS 14.25.125(d) is repealed and reenacted to read:

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

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

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

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

24 (a) An active [A] member who is terminated as a proximate result  
25 of a permanent disability [HAS BECOME PERMANENTLY DISABLED], as defined  
26 in AS 14.25.220, after July 1, 1966, before age 55 and who has five or  
27 more years of membership service may be retired by the administrator as  
28 of the first day of the month following the permanent disability. Af-  
29 ter 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  
8 approved by the Department of Education, but does not include retire-  
9 ment benefits, welfare benefits, per diem, expense allowances, workers'  
10 compensation 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 is entitled to  
19    credited service for periods of employment before January 1, 1977, with  
20    the division of marine transportation for which the employee was  
21    credited with service under a marine retirement trust.

22           (b) In order to obtain credited service under this section, an  
23    employee shall make an election to do so and shall verify the period of  
24    service. When eligibility for credited service has been established,  
25    an indebtedness shall be determined as follows: (1) the employee's  
26    actual compensation, or the calculated annual compensation for an  
27    employee working less than 12 months, during the calendar year 1981 or  
28    the year in which an employee first becomes vested under this chapter,  
29    whichever is later, multiplied by (2) eight percent, and this product

1 multiplied by (3) the number years of service credited under this  
2 section. Interest as prescribed by regulation accrues on this indebted-  
3 ness beginning on July 1, 1981, or one year following the date a person  
4 first becomes vested, whichever is later. Any outstanding indebtedness  
5 that exists at the time a person is appointed to retirement will neces-  
6 sitate an actuarial adjustment to the benefits payable based upon  
7 service credited under this section.

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

9 (b) In order to obtain credited service under this section, an  
10 employee shall make an election to do so and shall verify the [HIS]  
11 period of military service. When eligibility for credited service for  
12 military service has been established, an indebtedness shall be deter-  
13 mined as follows: (1) the employee's actual compensation, or the  
14 calculated annual compensation for those employees working less than 12  
15 months, during the calendar year 1976 or the year in which an employee  
16 first becomes vested under this chapter, whichever is later, multiplied  
17 by (2) [SIX PERCENT, THIS PRODUCT MULTIPLIED BY (3)] the number of  
18 years of military service credited under this section, and this pro-  
19 duct multiplied by (3) six percent for members who are first eligible  
20 to claim this military service before July 1, 1982, or eight percent  
21 for members who are first eligible to claim this military service on  
22 or after July 1, 1982. Interest as prescribed by regulation accrues on  
23 this indebtedness beginning [COMMENCING] on July 1, 1977, or one year  
24 following the date a person first becomes vested, whichever is later.  
25 Any outstanding indebtedness that [WHICH] exists at the time a person  
26 is appointed to retirement will necessitate an actuarial adjustment to  
27 the benefits payable based upon that military service.

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

29 (g) A surviving spouse receiving or entitled to receive benefits

1 [A SURVIVING SPOUSE'S PENSION] under AS 39 35.420(b), 39.35.430 or  
2 39.35.440 or benefits under a joint and survivor option filed under  
3 AS 39.35.450 is eligible to receive increased benefits based upon  
4 military service as described in (a) of this section. To receive  
5 credited service for military service, the surviving spouse must verify  
6 the employee's military service. When verified, the surviving spouse  
7 is entitled to receive an increased benefit which shall be actuarially  
8 adjusted to reflect his or her indebtedness for that credit. The  
9 indebtedness shall be calculated in the same manner as described in (b)  
10 of this section except that it shall be based on the average monthly  
11 compensation used in calculating the benefit. Benefits payable under  
12 this subsection are effective the first day of the month following that  
13 in which eligibility has been established.

14 \* Sec. 30. AS 39.35.360(b) is amended to read:

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

18 \* Sec. 31. AS 39.35.370(c) is repealed and reenacted to read:

19 (c) The monthly amount of the retirement benefit for a peace  
20 officer or fireman with less than 10 years of credited service is two  
21 percent of the average monthly compensation times the years of credited  
22 service. The monthly amount of the retirement benefit for a peace  
23 officer or fireman with 10 years or more of credited service is two and  
24 one-half percent of the average monthly compensation times the years of  
25 credited service. The monthly amount of the retirement benefit for all  
26 other employees with less than 10 years of credited service is two  
27 percent of the average monthly compensation times the years of credited  
28 service. The monthly amount of the retirement benefit for all other  
29 employees with 10 years or more of credited service but less than 20

1 years of credited service is two and one-quarter percent of the average  
2 monthly compensation times the years of credited service. The monthly  
3 amount of the retirement benefit for all other employees with 20 years  
4 or more of credited service is two and one-half percent of the average  
5 monthly compensation times the years of credited service. An actuarial  
6 adjustment must be made for an early retirement benefit.

7 \* Sec. 32. AS 39.35.370 is amended by adding a new subsection to read:

8 (g) A member may not receive retirement benefits under this  
9 section based on a period of employment for which the member received  
10 credited service under AS 39.35.305 if the member is receiving retire-  
11 ment benefits from a marine retirement trust based on the same period  
12 of employment.

13 \* Sec. 33. AS 39.35.385(d) is repealed and reenacted to read:

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

16 (1) the member may irrevocably elect to substitute one-  
17 twelfth of the "average base salary" as defined in AS 14.25.220(5) in  
18 place of average monthly compensation; and

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

22 \* Sec. 34. AS 39.35.385(c) is amended to read:

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

1 \* Sec. 35. AS 39.35.420(b) is amended to read:

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

9 \* Sec. 36. AS 39.35.420 is amended by adding a new subsection to read:

10 (c) If no spouse survives the death of a vested or deferred  
11 vested member, the designated beneficiary shall be paid: (1) the  
12 balance of the deceased member's contribution account; (2) the balance  
13 of the deceased member's savings account; (3) the deceased member's  
14 final monthly benefit payment; and (4) a lump-sum death benefit. The  
15 amount of the lump-sum death benefit is \$100 times the years of credited  
16 service of the deceased member plus \$1,000.

17 \* Sec. 37. AS 39.35.430 is amended by adding a new subsection to read:

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

22 \* Sec. 38. AS 39.35.440(b) is amended to read:

23 (b) Upon the death of a disabled employee who is receiving or is  
24 entitled to receive an occupational disability benefit, a surviving  
25 spouse's pension equal to 40 percent of the employee's [HIS AVERAGE]  
26 monthly compensation at the termination of employment because of occu-  
27 pational disability shall be paid to the [HIS] surviving spouse. If  
28 there is no surviving spouse, the survivor's pension shall be paid in  
29 equal parts to the dependent children of the employee. On the date the

1 normal retirement of the employee would have occurred if the employee  
2 [HE] had lived, monthly payments shall equal the monthly amount of the  
3 normal retirement benefit to which the employee, had the employee [HE]  
4 lived and continued [HIS] employment until the employee's [HIS] normal  
5 retirement date, would have been entitled with an average monthly  
6 compensation as existed at [HIS] death and the credited service to  
7 which the employee [HE] would have been entitled. If the death of  
8 an employee occurs from occupational causes but no surviving spouse or  
9 dependent children exist at the time of the death, the employee's  
10 designated beneficiary shall be paid those benefits available to a  
11 beneficiary under AS 39.35.420(a) or (c).

12 \* Sec. 39. AS 39.35.475 is repealed and reenacted to read:

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

17 (b) The increase in benefit payments applies to total benefit  
18 payments exclusive only of the cost-of-living allowance under AS 39.-  
19 35.480. The amount of the increase is a percentage of the current  
20 benefit equal to

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

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

28 (3) the lesser of 25 percent of the increase in the cost of  
29 living in the preceding calendar year or three percent, for recipients

1 who on July 1 are at least 55 but less than 60 years old.

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

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

13 (e) When computing a joint and survivor benefit under AS 39.35.-  
14 450 or a survivor's benefit under AS 39.35.420 or 39.35.440, adjust-  
15 ments granted to the deceased member under this section shall be in-  
16 cluded.

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

22 \* Sec. 40. AS 39.35.460 is amended to read:

23 Sec. 39.35.460. LEVEL INCOME OPTION. If the payment of a [AN  
24 EARLY] retirement pension begins before age 65 [THE EARLIEST AGE AS OF  
25 WHICH THE EMPLOYEE BECOMES ELIGIBLE FOR A PRIMARY SOCIAL SECURITY BENE-  
26 FIT], the amount of pension payable before and after that age may be  
27 adjusted so that an increased amount will be paid before the time that  
28 full social security benefits become available and a reduced amount af-  
29 ter that time, so that the employee may [WILL] receive a more level

1 [RETIREMENT] income for life. The aggregate value of all adjusted  
2 payments may [, HOWEVER, SHALL] not exceed the actuarial equivalent of  
3 the value of the pension otherwise payable to the employee.

4 \* Sec. 41. AS 39.35 is amended by adding a new section to read:

5 Sec. 39.35.527. ELECTION TO TERMINATE COVERAGE AS A PEACE OFFICER  
6 OR FIREMAN. (a) An employee occupying a position as a peace officer  
7 or fireman may irrevocably elect to relinquish peace officer or fireman  
8 status with the system and receive credited service other than as a  
9 peace officer or fireman in an amount equal to the credited service as  
10 a peace officer or fireman.

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

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

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

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

23 \* Sec. 42. AS 39.35.485(a) is amended to read:

24 (a) An employee who is eligible for a benefit calculated in  
25 accordance with AS 39.35.370(c) is entitled to a benefit of at least  
26 \$25 a month for each year of credited service, not including adjust-  
27 ments made under AS 39.35.340 for military service, AS 39.35.350 for  
28 reinstatement of credited service, AS 39.35.360 for credit for earlier  
29 service, AS 39.35.370(c) for early retirement, AS 39.35.420 for non-

1 occupational death benefits [AS 39.35.380, 39.35.410], AS 39.35.450  
2 for the survivor's option, AS 39.35.460 for the level income option,  
3 AS 39.35.475 for the post-retirement pension adjustment, and AS 39.35.-  
4 480 for the cost of living.

5 \* Sec. 43. AS 39.35.535 is repealed and reenacted to read:

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

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

9 (2) the spouse of a person receiving a monthly benefit from  
10 the system;

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

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

21 \* Sec. 44. AS 39.35.560 is amended to read:

22 Sec. 39.35.560. REQUEST BY PUBLIC ORGANIZATION TO PARTICIPATE AND  
23 ADOPTION OF RESOLUTION. A public organization [CREATED WHOLLY OR PART-  
24 LY BY, OR DERIVING ITS POWERS FROM, THE LEGISLATURE OF THE STATE] may  
25 request to become an employer in this system. The request shall be  
26 made after adoption of a resolution by the governing body of the public  
27 organization. A certified copy of the resolution shall be filed with  
28 the administrator. If the administrator approves the request for par-  
29 ticipation, the public organization is an employer of the system.

1 \* Sec. 45. AS 39.35.680(8) is amended to read:

2 (8) "compensation" means the total remuneration earned by an  
3 employee for personal services rendered, including cost-of-living dif-  
4 ferentials, payments for leave that is actually used by the employee,  
5 the amount by which the employee's wages are reduced under AS 39.30.-  
6 150(c), and any amount deferred under the state deferred compensation  
7 plan, but does not include retirement benefits, welfare benefits, per  
8 diem, expense allowances, workers' compensation payments or payments  
9 for [MEDICAL LEAVE OR ANNUAL] leave not used by the employee whether  
10 those leave payments are scheduled payments, lump-sum payments, dona-  
11 tions or cash-ins;

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

13 (13) "early retirement" means retirement for a member who is  
14 not eligible for normal retirement and who is at least 50 years old and  
15 is eligible to receive benefits under AS 39.35.370(b) or under AS 39.-  
16 35.385(b) or (f) [HAS A MINIMUM OF FIVE YEARS CREDITED SERVICE];

17 \* Sec. 47. AS 39.35.680(25) is amended to read:

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

24 \* Sec. 48. AS 39.35.680(27) is amended to read:

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

29 \* Sec. 49. AS 39.35.680 is amended by adding a new paragraph to read:

1 (39) "public organization" means an organization or entity  
2 (A) created by the constitution or laws of the state for  
3 the purpose of administering state programs;

4 (B) whose officers and employees are paid by a method  
5 other than by the state payroll prepared by the Department of  
6 Administration; and

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

9 \* Sec. 50. AS 39.35.680(32) is repealed.

10 \* Sec. 51. A person holding a position as a "qualified employee of the  
11 Department of Fish and Game" on June 30, 1981, shall continue to be treated  
12 as a peace officer under AS 39.35 until that person

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

15 (2) elects to irrevocably relinquish peace officer status under  
16 AS 39.35.527.

17 \* Sec. 52. Sections 11 and 39 of this Act apply to persons receiving  
18 benefits under the retirement systems on July 1, 1982. Benefits shall be  
19 recomputed as of July 1, 1982, under AS 14.25.143 and AS 39.35.475 to include  
20 adjustments under AS 14.25.143 or AS 39.35.475 for each year since the  
21 person first began receiving a benefit. If the recomputed benefit exceeds  
22 the current benefit, the current benefit shall be increased accordingly  
23 effective July 1, 1982. Payment of the increased benefit shall begin no  
24 later than January 1, 1983, but no retroactive benefit payments may be made  
25 under this section for any period before July 1, 1982.

26 \* Sec. 53. Sections 5 - 7, 11, 25, 28, 31, 39, and 52 of this Act take  
27 effect July 1, 1982.

28 \* Sec. 54. Sections 1 - 4, 8 - 10, 12 - 24, 26, 27, 29, 30, 32 - 38, and  
29 40 - 51 of this Act take effect July 1, 1981.