

Introduced: 3/2/82  
Referred: Health, Education &  
Social Services and Labor &  
Commerce

1 IN THE SENATE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 827

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to refunds, retirement, and benefits in  
7 the teachers', judicial, national guard, and public em-  
8 ployees' retirement systems; relating to survivor  
9 benefits in the teachers' retirement system; creating  
10 the Public Employees' and Teachers' Disability Review  
11 Board; and providing for an effective date."

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

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

14 (d) If a leave of absence without pay has been approved for educa-  
15 tional purposes by the governing body of the district, the [THE] govern-  
16 ing body of the district may agree to continue the teacher's retirement  
17 contributions if the teacher agrees to pay the percentage required under  
18 AS 14.25.050 [SEVEN PER CENT] of the salary the teacher [HE] would have  
19 received during the [HIS] leave of absence and reimburse the district  
20 for the district's required retirement contribution. Each year of leave  
21 of absence then would count as a year of retirement service.

22 \* Sec. 2. AS 14.20.345(f) is amended to read:

23 (f) If a leave of absence without pay has been approved for educa-  
24 tional purposes by the governing body of the district, a [A] teacher may  
25 make contributions to the retirement fund for each year or portion of a  
26 year of leave of absence taken. The contribution shall include the re-  
27 quired percent of the salary he would have received had he not taken the  
28 leave of absence, plus the required employer and state contributions  
29 that would have been made. Compound interest at the rate prescribed by

1 regulation shall be added as computed from the beginning date of the  
2 leave of absence to the date the teacher pays the contribution.

3 \* Sec. 3. AS 14.25.020(a)(1) is repealed and reenacted to read:

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

6 \* Sec. 4. AS 14.25.022 is amended to read:

7 Sec. 14.25.022. REGULATIONS. Regulations adopted [PROMULGATED] by  
8 the Alaska Teachers' Retirement Board [ADMINISTRATOR] under AS 14.25.-  
9 010 -- 14.25.220 relate to the internal management of a state agency and  
10 their adoption is not subject to the Administrative Procedure Act (AS 44.  
11 62).

12 \* Sec. 5. AS 14.25.035 is amended by adding a new subsection to read:

13 (1) The board may adopt regulations recommended by the administra-  
14 tor to implement this chapter with modifications it considers proper.

15 \* Sec. 6. AS 14.25.055 is amended to read:

16 Sec. 14.25.055. SUPPLEMENTAL CONTRIBUTIONS BY TEACHERS. If a  
17 teacher first joined the system before July 1, 1982, and is married or  
18 has a minor child and wishes to make his spouse or minor child eligible  
19 for a spouse's pension or a survivor's allowance, he may elect to make a  
20 supplemental contribution of an additional one percent of his base sala-  
21 ry within 90 days of his entry into participation in the system, or  
22 within 90 days of his marriage, or within 90 days of the birth or adop-  
23 tion of a child dependent upon him [, OR DURING ANY OPEN ENROLLMENT PER-  
24 IOD AUTHORIZED BY THE TEACHERS' RETIREMENT SYSTEM BOARD]. Once an elec-  
25 tion is made under this section, supplemental contributions must be made  
26 whenever contributions are required under AS 14.25.050 unless the teach-  
27 er executes a written waiver with the administrator. The execution of a  
28 waiver relinquishes all rights and benefits previously accrued under  
29 AS 14.25.162 and 14.25.164.

1           \* Sec. 7. AS 14.25.063(b) is repealed and reenacted to read:

2           (b) Any outstanding indebtedness which exists at the time a member  
3 is appointed to retirement will necessitate an actuarial adjustment to  
4 the benefits payable based on the member's corresponding service.

5           \* Sec. 8. AS 14.25.063(c) is repealed and reenacted to read:

6           (c) If, as a result of service credit claimed for which there is a  
7 corresponding indebtedness existing at retirement, the member's retire-  
8 ment benefit is actuarially reduced and the resulting benefit is less  
9 than it would have been if the service credit had not been claimed, the  
10 retirement benefit shall be equal to the amount it would have been had  
11 the service credit never been claimed.

12           \* Sec. 9. AS 14.25.110(i) is amended to read:

13           (i) Benefits payable under this section accrue from the first day  
14 of the month after which all of the following requirements are met: (1)  
15 the member meets the eligibility requirements of this section; (2) the  
16 member terminates employment; and (3) the member applies for retirement.  
17 Benefits are not payable under this section during a school year in  
18 which credit for a full year of service is granted. The benefits are  
19 payable the last day of the month. If payment is delayed, a retroactive  
20 payment must be made for a month in which a benefit is payable under  
21 this section. The last payment shall be for the month in which the mem-  
22 ber dies or is no longer eligible for a benefit under this section.

23           \* Sec. 10. AS 14.25.115(a) is amended to read:

24           (a) A teacher in membership service on or after July 1, 1977 who  
25 is appointed to retirement on or after July 1, 1978 may elect to apply  
26 [HIS] unused sick leave credit in computing the total number of years of  
27 creditable service under AS 14.25.110(d) [AS 14.25.120(c)(1) AND (4)].  
28 To obtain service credit for unused sick leave, a teacher must apply to  
29 the administrator no later than one year after appointment to retirement.

1 Unused sick leave shall be credited on a day-for-day basis in accordance  
2 with the table for service after July 1, 1969 contained in AS 14.25.220-  
3 (40) AS 14.25.220(16)]. No teacher contributions may be required for  
4 credited unused sick leave.

5 \* Sec. 11. AS 14.25.125(d) is repealed and reenacted to read:

6 (d) The monthly amount of a conditional service retirement benefit  
7 shall be calculated on the years of credited service in accordance with  
8 AS 14.25.110(d), except that a member may irrevocably elect to substi-  
9 tute "average monthly compensation" as defined in AS 39.35.680(4) in  
10 place of the member's average base salary divided by 12.

11 \* Sec. 12. AS 14.25.130(a) is repealed and reenacted to read:

12 (a) A member who has five or more years of membership service is  
13 eligible for a disability pension if, after July 1, 1966, and before the  
14 member's normal retirement date, the member's employment is terminated  
15 because of a permanent disability as defined in AS 14.25.220(27).

16 \* Sec. 13. AS 14.25.143(b) is amended to read:

17 (b) The amount of the increase in benefit payments may not exceed  
18 the lesser [GREATER] of

19 (1) the increase in the cost of living since the date of re-  
20 tirement; or

21 (2) four percent of the retirement benefit compounded for  
22 each year of retirement.

23 \* Sec. 14. AS 14.25.150 is amended to read:

24 Sec. 14.25.150. REFUND UPON TERMINATION. A terminated member is  
25 entitled to a refund of the balance of [(1)] his member contribution ac-  
26 count [MANDATORY CONTRIBUTIONS AND ACCRUED INTEREST, AND (2) HIS INDEBT-  
27 EDNESS PRINCIPAL CONTRIBUTIONS]. A member is not entitled to a refund  
28 of his supplemental contributions except as provided in AS 14.25.160(a).

29 \* Sec. 15. AS 14.25 is amended by adding new sections to read:

1           Sec. 14.25.155. NONOCCUPATIONAL DEATH BENEFITS. (a) If the death  
2 of a member occurs after completing less than one year of membership  
3 service and the proximate cause of death is not a bodily injury sus-  
4 tained or hazard undergone while in the performance and within the scope  
5 of the member's duties of employment, the member's designated benefi-  
6 ciary shall be paid the balance of the member contribution account.

7           (b) If the death of a member occurs after completing at least one  
8 year of membership service but before becoming a vested member, and the  
9 proximate cause of death is not a bodily injury sustained or hazard un-  
10 dergone while in the performance and within the scope of the member's  
11 duties of employment, the lump sum death benefit described in AS 14.25.-  
12 160(b) and (c) shall be paid to the designated beneficiary of the mem-  
13 ber.

14           (c) If the death of a vested member or deferred vested member oc-  
15 curs and the proximate cause of death is not a bodily injury sustained  
16 or hazard undergone while in the performance and within the scope of the  
17 member's duties of employment, the surviving spouse may elect to receive  
18 either the benefits described in (b) of this section or a 50 percent  
19 joint and survivor option as provided under AS 14.25.167(a)(2) based  
20 upon credited service to the date of the member's termination. If no  
21 spouse survives a vested or deferred vested member, or if a person other  
22 than the spouse is designated as beneficiary, the designated beneficiary  
23 shall be paid the benefits described in AS 14.25.160(b) and (c). Bene-  
24 fits accrue from the first day of the month following the member's death  
25 and are payable the last day of the month.

26           (d) Benefits are not payable under this section if benefits are  
27 payable under AS 14.25.157, 14.25.160, 14.25.162, 14.25.164, or 14.25.-  
28 167.

29           Sec. 14.25.157. OCCUPATIONAL DEATH BENEFITS. (a) If (1) the

1 death of a member occurs before the member first attains eligibility for  
2 normal retirement, and (2) the proximate cause of death is a bodily in-  
3 jury sustained or hazard undergone while in the performance and within  
4 the scope of the member's duties of employment, and (3) the injury or  
5 hazard is not the proximate result of wilful negligence on the part of  
6 the member, a monthly survivor's pension equal to 40 percent of the mem-  
7 ber's base salary at the time of termination of employment, divided by  
8 12, shall be paid to the member's surviving spouse. If there is no sur-  
9 viving spouse, the monthly survivor's pension shall be paid in equal  
10 parts to the dependent children of the member. On the date the normal  
11 retirement of the member would have occurred if the member had lived,  
12 monthly payments shall equal the monthly amount of the normal retirement  
13 benefit to which the member, had the member lived and continued employ-  
14 ment until the member's normal retirement date, would have been entitled  
15 with an average base salary as existed at the member's death and the  
16 credited service to which the member would have been entitled. If no  
17 surviving spouse or dependent children exist at the time of death or if  
18 the employee designates as beneficiary someone other than the surviving  
19 spouse or dependent children, the employee's designated beneficiary  
20 shall be paid those benefits available to a beneficiary under AS 14.25.-  
21 160(b), and (c) and no benefit will be paid to the surviving spouse or  
22 dependent children.

23 (b) The first payment of the surviving spouse's pension or of a  
24 dependent child's pension shall accrue from the first day of the month  
25 following the member's death and is payable the last day of the month.  
26 The last payment shall be made for the last month in which there is an  
27 eligible surviving spouse or dependent child.

28 (c) Benefits are not payable under this section if benefits are  
29 payable under AS 14.25.155, 14.25.160, 14.25.162, 14.25.164, or 14.25.-

1 167.

2 \* Sec. 16. AS 14.25.160(a) is repealed and reenacted to read:

3 (a) A death benefit will be paid and any supplemental contribu-  
4 tions will be refunded to the designated beneficiary, upon receipt of a  
5 valid claim and proof of the death of a member who

6 (1) is not retired and is not eligible for benefits under  
7 AS 14.25.162 or 14.25.164; and

8 (2) either

9 (A) has made supplemental contributions under AS 14.25.-  
10 055 since the date one year immediately preceding the member's  
11 death or since July 1, 1983, whichever is later; or

12 (B) is making supplemental contributions under AS 14.-  
13 25.055 but has made them for less than one year.

14 \* Sec. 17. AS 14.25.160(b)(1) is amended to read:

15 (1) the member [MEMBER'S MANDATORY] contribution account;

16 \* Sec. 18. AS 14.25.162(b)(1) is amended to read:

17 (1) an allowance of 10 percent of the member's base salary  
18 immediately before the member's death, retirement, or disability shall  
19 be paid for each dependent child; if there are four or more dependent  
20 children, the total amount paid to those children is 40 percent of the  
21 member's base salary before the member's [HIS] death, retirement, or  
22 disability, paid in equal amounts to each child; the allowance shall be  
23 recomputed for the month in which the number of dependent children is  
24 less than four and the benefits shall be decreased accordingly; [IF A  
25 DEPENDENT CHILD WHO IS AT LEAST 19 YEARS OLD BUT LESS THAN 23 YEARS OLD  
26 IS OUT OF SCHOOL FOR MORE THAN ONE SEMESTER, PAYMENTS OF THE DEPENDENT  
27 CHILD'S BENEFITS TERMINATE PERMANENTLY;] the adoption of a dependent  
28 child does not terminate the survivor's allowance payable under this  
29 section;

1 \* Sec. 19. AS 14.25.162(b)(4) is amended to read:

2 (4) benefits are not payable under this section if benefits  
3 are payable [BEING PAID] under AS 14.25.155, 14.25.157, 14.25.164, or  
4 14.25.167.

5 \* Sec. 20. AS 14.25.164(b)(3) is amended to read:

6 (3) benefits are not payable under this section if benefits  
7 are payable [BEING PAID] under AS 14.25.155, 14.25.157, 14.25.162, or  
8 14.25.167.

9 \* Sec. 21. AS 14.25 is amended by adding new sections to read:

10 Sec. 14.25.166. DESIGNATION OF BENEFICIARY. (a) Each member  
11 shall designate the beneficiary or beneficiaries to whom benefits pay-  
12 able under this chapter as a consequence of the member's death shall be  
13 distributed.

14 (b) The designation may be changed or revoked by the employee  
15 without notice to the beneficiary or beneficiaries at any time. If an  
16 employee designates more than one beneficiary, each shall share equally  
17 unless the employee specifies a different allocation or preference. The  
18 designation of a beneficiary and a change or revocation of a beneficiary  
19 shall be made on a form provided by the administrator and is not effec-  
20 tive until filed with the administrator.

21 (c. If an employee fails to designate a beneficiary, or if no des-  
22 ignated beneficiary survives the employee, the death benefit shall be  
23 paid (1) to the surviving spouse or, if there is none surviving, (2) to  
24 the surviving children in equal parts or, if there are none surviving,  
25 (3) to the surviving parents in equal parts or, if there are none sur-  
26 viving, (4) to the estate.

27 Sec. 14.25.167. JOINT AND SURVIVOR OPTION. (a) Benefits payable  
28 under this section are in place of benefits payable under AS 14.25.155,  
29 14.25.157, 14.25.160, 14.25.162, or 14.25.164. Upon filing an applica-

1 tion for retirement with the administrator, a member may designate his  
2 or her spouse or a dependent approved by the administrator as the con-  
3 tingent beneficiary. The benefit shall be determined in accordance with  
4 one of the following options elected:

5 (1) the member is entitled to receive a reduced benefit pay-  
6 able for life, and payments in the amount of 75 percent of the reduced  
7 benefit shall, after the member's death, be continued to the contingent  
8 beneficiary for life;

9 (2) the member is entitled to receive a reduced benefit pay-  
10 able for life, and payments in the amount of 50 percent of the reduced  
11 benefit shall, after the member's death, be continued to the contingent  
12 beneficiary for life; or

13 (3) the member is entitled to receive a reduced benefit pay-  
14 able during the joint lifetime of the member and the contingent benefi-  
15 ciary, and payments in the amount of 66 and 2/3 percent of the reduced  
16 benefit shall, after the death of either the member or the contingent  
17 beneficiary, be continued to the survivor for life.

18 (b) The aggregate of the pension payments expected to be paid to a  
19 member and the member's contingent beneficiary under the options set out  
20 in (a) of this section shall be the actuarial equivalent of the pension  
21 which the member is otherwise entitled to receive upon retirement.

22 (c) A member may elect, change, or revoke an option without the  
23 approval of the administrator if the member's election, change, or revo-  
24 cation is filed in writing with the administrator before the effective  
25 date of the member's retirement.

26 (d) A member, including a deferred vested member, may, regardless  
27 of age, elect a joint and survivor option any time before appointment to  
28 receive a retirement benefit.

29 (e) If either the member or contingent beneficiary dies before the

1 member is appointed to retirement, the election becomes inoperative.  
2 Once the member is appointed to retirement, the election is irrevocable,  
3 even if the retired member is reemployed. Any additional retirement  
4 benefit to which the reemployed member may become entitled will be paid  
5 in accordance with the initial election made under this section, unless  
6 the contingent beneficiary is deceased. If the contingent beneficiary  
7 is deceased, the benefits earned during the period of reemployment are  
8 subject to AS 14.25.110, or this section if another contingent benefici-  
9 ary was designated during the period of reemployment. All other bene-  
10 fits earned during previous periods of employment are subject to the  
11 election at the time the member was appointed to retirement. If death  
12 occurs during the period of reemployment and the proximate cause of  
13 death is not a bodily injury sustained or hazard undergone while in the  
14 performance and within the scope of the member's duties of employment,  
15 those benefits earned while reemployed are subject to AS 14.25.155(c).  
16 All other benefits earned during previous periods of employment are  
17 subject to the election at the time the member was appointed to retire-  
18 ment. If death occurs during the period of reemployment and the proxi-  
19 mate cause of death is a bodily injury sustained or hazard undergone  
20 while in the performance and within the scope of the member's duties of  
21 employment and the injury or hazard is not the proximate result of  
22 wilful negligence on the part of the member, all benefits earned during  
23 all periods of employment are subject to AS 14.25.157.

24 \* Sec. 22. AS 14.25.168 is repealed and reenacted to read:

25 Sec. 14.25.168. MEDICAL BENEFITS. (a) The following persons are  
26 entitled to major medical insurance coverage:

- 27 (1) a person receiving a monthly benefit from the system;  
28 (2) the spouse of a person receiving a monthly benefit from  
29 the system;

1 (3) a natural or adopted child of a person receiving a month-  
2 ly benefit, if the child is a dependent child as defined in AS 14.25.-  
3 220(12).

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

11 \* Sec. 23. AS 14.25.169 is amended to read:

12 Sec. 14.25.169. DUPLICATE BENEFITS. If payments from this retire-  
13 ment system are due to a teacher or his spouse under more than one pro-  
14 vision of this plan, the teacher or spouse shall elect under which pro-  
15 vision and which benefit he wishes to receive and no payments may be  
16 made under any other provision. However, benefits under AS 14.25.155,  
17 14.25.157, 14.25.160, 14.25.162, 14.25.164, and 14.25.167 [SECS. 162 AND  
18 164 OF THIS CHAPTER] shall be paid [TO A SURVIVING SPOUSE] in addition  
19 to those benefits or that service credit a person [HE] is entitled to  
20 receive because of the person's [HIS] own membership in the retirement  
21 system. A teacher may not receive (1) duplicate credit under this sys-  
22 tem for the same period of service, (2) more than one year of service  
23 credit in the course of a school year, or (3) a benefit while accruing  
24 service credit under this system except as provided in this section.

25 \* Sec. 24. AS 14.25.175(a) is amended to read:

26 (a) Upon appeal by an affected member or beneficiary under (b) of  
27 this section, the board may waive an adjustment or a portion of an ad-  
28 justment made under AS 14.25.173 if, in the opinion of the board,

29 (1) the adjustment or portion of the adjustment will [, IN

1 THE OPINION OF THE BOARD,] cause undue hardship to the member or bene-  
2 ficiary;

3 [(2) THE MEMBER IS RETIRED OR HAS SUBMITTED NOTIFICATION OF  
4 IMPENDING RETIREMENT TO HIS EMPLOYER TO BE EFFECTIVE NO LATER THAN 180  
5 DAYS AFTER THE ADJUSTMENT WAS MADE, OR THE BENEFICIARY WAS ELIGIBLE TO  
6 RECEIVE OR WAS RECEIVING BENEFITS UNDER AS 14.25.010 -- 14.25.220 BEFORE  
7 THE ADJUSTMENT;

8 (3) THE ADJUSTMENT WILL RESULT IN A LOSS OF ELIGIBILITY FOR  
9 BENEFITS FOR THE MEMBER OR BENEFICIARY OR RESULT IN A REDUCTION OF BENE-  
10 FITS RECEIVED BY THE MEMBER OR BENEFICIARY OF \$50 PER MONTH OR MORE;]

11 (4) the adjustment was not the result of erroneous informa-  
12 tion supplied by the member or beneficiary;

13 (5) before the adjustment was made, the member or beneficiary  
14 received confirmation from the administrator that his records were cor-  
15 rect; and

16 (6) the member or beneficiary had no reasonable grounds to  
17 believe his records were incorrect before the adjustment was made.

18 \* Sec. 25. AS 14.25.220(9) is amended to read:

19 (9) "compensation" means the total remuneration paid under  
20 contract to a member for services rendered during a school year, includ-  
21 ing cost-of-living differentials, payments for leave that is actually  
22 used by the member, the amount by which the member's wages are reduced  
23 under AS 39.30.150(c), and the amount deferred under an employer-spon-  
24 sored deferred compensation plan or the tax shelter annuity plan ap-  
25 proved by the Department of Education, but does not include retirement  
26 benefits, welfare benefits, per diem, expense allowances, workers' com-  
27 ensation payments, or payments for leave not used by the member, wheth-  
28 er those leave payments are scheduled payments, lump sum payments, dona-  
29 tions, or cash-ins; for purposes of AS 14.25.050, compensation paid in-

1 cludes any payment made after June 30 of a school year for services ren-  
2 dered before the end of the school year;

3 \* Sec. 26. AS 14.25.220(10) is amended to read:

4 (10) "credited service" means all membership service as pro-  
5 vided in (20) of this section, territorial employment as defined in (41)  
6 of this section, plus outside, military, and BIA service not exceeding  
7 15 years, with outside and military service limited to 10 years except  
8 under the conditions set out in AS 14.25.100;

9 \* Sec. 27. AS 14.25.220(19) is amended to read:

10 (19) "member [MANDATORY] contribution account" means the total  
11 [ACCOUNT] maintained by the system of [TO RECORD] the member's mandatory  
12 contributions, indebtedness principal and interest contributions, inter-  
13 est credited to each of those accounts, [OF EACH MEMBER, INCLUDING IN-  
14 TEREST] and adjustments to the account in accordance with AS 14.25.170;

15 \* Sec. 28. AS 14.25.220 is amended by adding a new paragraph to read:

16 (41) "territorial employment" means non-teaching employment  
17 with the Territory of Alaska as provided under AS 14.25.105; territorial  
18 employment is not membership service.

19 \* Sec. 29. AS 21.09.210 is amended by adding a new subsection to read:

20 (i) Premiums paid by the state are exempt from taxation under this  
21 section. Claims for exemptions will be made on forms provided by the  
22 division of insurance.

23 \* Sec. 30. AS 22.25.011 is amended to read:

24 Sec. 22.25.011. CONTRIBUTIONS. Each justice and judge appointed  
25 after July 1, 1978 shall contribute seven percent of the [HIS] base an-  
26 annual salary received by the justice or judge to the judicial retirement  
27 system. Contributions shall be made for all creditable service under  
28 this chapter up to a maximum of 15 years. This contribution is made in  
29 the form of a deduction from compensation, and is made even if [NOTWITH-

1       STANDING] that the compensation paid in cash to the justice or judge is  
2       reduced [THEREBY] below the minimum prescribed by law. Each justice and  
3       judge is considered to consent to the deduction [MADE] from [HIS] compen-  
4       sation. Payment of compensation less the deduction constitutes a full  
5       [AND COMPLETE] discharge [AND ACQUITTANCE] of all claims and demands for  
6       the services rendered by the justice or judge [HIM] during the period  
7       covered by the payment, except as to the benefits provided for under  
8       AS 22.25.010 -- 22.25.090. The contributions shall be credited to the  
9       judicial retirement fund established in accordance with AS 22.25.048  
10      [INTO THE GENERAL FUND OF THE STATE].

11     \* Sec. 31. AS 22.25 is amended by adding a new section to read:

12             Sec. 22.25.048. ACCOUNTING AND INVESTMENT. (a) The commissioner  
13       of administration shall establish, as a special account in the general  
14       fund, a fund for the judicial retirement system and shall maintain  
15       accounts and records for the judicial retirement system.

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

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

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

23                 (3) a retirement reserve account; and

24                 (4) an expense account for the judicial retirement system  
25       that shall be credited with funds transferred from the account described  
26       in (b)(2) of this section.

27             (c) Investment of surplus amounts in the fund may be made as pro-  
28       vided in AS 39.35.110.

29             (d) Within one year following retirement, an amount actuarially

1 determined as necessary to pay fully for the benefits to be received by  
2 a person under this chapter shall be transferred first from the indivi-  
3 dual account described in (b)(1) of this section and, after the indivi-  
4 dual contributions have been exhausted, then from the court system  
5 account described in (b)(2) of this section, into the retirement reserve  
6 account described in (b)(3) of this section.

7 (e) The contributions of the court system to the retirement re-  
8 serve account shall contain the actuarially determined amount necessary  
9 to fully fund the pension, death benefits, and other benefits paid under  
10 the judicial retirement system to a person under this chapter.

11 (f) The investment income of the judicial retirement fund shall be  
12 allocated in proportion to the balances of assets first to the retired  
13 reserve account described in (b)(3) of this section and then to the ac-  
14 count described in (b)(2) of this section.

15 (g) The account described in (b)(4) of this section is charged  
16 with all disbursements representing the administrative expenses incurred  
17 by the judicial retirement system. Expenditures from this account shall  
18 be included in the budget of the governor for each fiscal year.

19 \* Sec. 32. AS 22.25.090 is repealed and reenacted to read:

20 Sec. 22.25.090. MEDICAL BENEFITS. (a) The following persons are  
21 entitled to major medical insurance coverage:

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

23 (2) the spouse of a justice, judge, or administrative direc-  
24 tor receiving a monthly benefit under this chapter;

25 (3) a natural or adopted child of a justice, judge, or admin-  
26 istrative director receiving a monthly benefit under this chapter, if  
27 the child is a dependent child under (c) of this section.

28 (b) Major medical insurance coverage takes effect on the same date  
29 as retirement benefits begin, and stops when the retired person or sur-

1 vivor is no longer eligible to receive a monthly benefit. The coverage  
2 for persons age 65 or older is the same as that available for persons  
3 under 65. The benefits payable to those persons age 65 or older supple-  
4 ment any benefits provided under the federal old age, survivors, and  
5 disability insurance program.

6 (c) In this section, "dependent child" means an unmarried child of  
7 a justice, judge, or administrative director who is dependent on the  
8 justice, judge, or administrative director for support and who is either  
9 (1) less than 19 years old, or (2) less than 23 years old and registered  
10 at and attending on a full-time basis an accredited educational or tech-  
11 nical institution recognized by the Department of Education. The age  
12 limits set out in this subsection do not apply to a child who is totally  
13 and permanently disabled.

14 \* Sec. 33. AS 26.05.227 is amended to read:

15 Sec. 26.05.227. DEFINITIONS. As used in AS 26.05.222 -- 26.05.228  
16 [26.05.226],

17 (1) "beneficiary" means a person designated by the [A] member  
18 in a writing filed with the system by the member while alive to receive  
19 benefits that may be due from the system upon the death of a member;

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

22 (3) "system" means the Alaska National Guard retirement sys-  
23 tem.

24 \* Sec. 34. AS 26.05 is amended by adding a new section to read:

25 Sec. 26.05.228. ACCOUNTING AND INVESTMENT. (a) The commissioner  
26 of administration shall establish, as a special account in the general  
27 fund, a fund for the system and maintain accounts and records for the  
28 system.

29 (b) All income of the fund and all disbursements made by the fund

1 must be credited or charged, whichever is appropriate, to the following  
2 accounts:

3 (1) an individual account for each retired member of the sys-  
4 tem that records the benefits paid under this system to the member or  
5 surviving beneficiary;

6 (2) a separate account for the Department of Military Af-  
7 fairs' contribution to fund the system based on the actuarial require-  
8 ments of the system as established by the commissioner of administration  
9 under this chapter;

10 (3) an expense account for the system; this account is charged  
11 with all disbursements representing administrative expenses incurred by  
12 the system; expenditures from this account are included in the gover-  
13 nor's budget for each fiscal year.

14 (c) Investment of surplus amounts in the fund may be made as pro-  
15 vided in AS 39.35.110.

16 \* Sec. 35. AS 39.30.090 is amended to read:

17 Sec. 39.30.090. PROCUREMENT OF GROUP INSURANCE. The Department of  
18 Administration may obtain a policy or policies of group insurance cover-  
19 ing state employees, persons entitled to coverage under AS 14.25.168,  
20 AS 22.25.090, AS 39.35.535 or former AS 39.37.145 or [AND] employees of  
21 other participating governmental units, subject to the following condi-  
22 tions:

23 (1) A group insurance policy shall provide one or more of the  
24 following benefits: life insurance, accidental death [DEALTH] and  
25 dismemberment insurance, weekly indemnity insurance, hospital expense  
26 insurance, surgical expense insurance, dental expense insurance, audio-  
27 visual insurance, or other medical care insurance.

28 (2) Each eligible employee of the state, the [HIS] spouse and  
29 the [HIS] unmarried children chiefly dependent on the eligible employee

1 [HIM] for support and each eligible employee of another participating  
2 governmental unit shall be covered by the group policy, unless exempt  
3 under regulations adopted by the commissioner of administration.

4 (3) A governmental unit may participate under a group policy  
5 if

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

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

10 (C) the commissioner of administration approves the par-  
11 ticipation in writing.

12 (4) (repealed)

13 (5) (repealed)

14 (6) The Department of Administration shall obtain the insur-  
15 ance policy from any insurer authorized to transact business in the  
16 state under AS 21.09.010 -- 21.09.280 and AS 21.90.010 -- 21.90.110.

17 (7) The Department of Administration shall make available bid  
18 specifications for desired insurance benefits to all insurance carriers  
19 licensed in the state and qualified to provide the desired benefits.  
20 The specifications shall be made available on or before July 1, 1965,  
21 and at least once every succeeding five years. The lowest responsible  
22 bid submitted by an insurance carrier with adequate servicing facilities  
23 shall govern selection of a carrier under this section.

24 (8) If the aggregate of dividends payable under the group in-  
25 surance policy exceeds the governmental unit's share of the premium, the  
26 excess shall be applied by the governmental unit for the sole benefit of  
27 the employees.

28 (9) A person receiving benefits under AS 14.25.110, AS 22.25.  
29 010 -- 22.25.090, [OR] AS 39.35.010 -- 39.35.690, or former AS 39.37 who

1 is not 65 years of age may continue the [OBTAIN MAJOR MEDICAL AND] life  
2 insurance coverage that was in effect under this section at the time of  
3 termination of employment with the state or participating governmental  
4 unit [FOR HIMSELF AND ANY DEPENDENTS WHO HAVE NOT REACHED THE AGE OF 65  
5 YEARS].

6 (10) [A PERSON RECEIVING BENEFITS UNDER AS 14.25.110, AS 22.-  
7 25. 010 -- 22.25.090 OR AS 39.35.010 -- 39.35.690 WHO IS 65 YEARS OF AGE  
8 OR OLDER BUT WHO HAS DEPENDENTS WHO ARE UNDER 65 MAY OBTAIN MAJOR MEDICAL  
9 INSURANCE FOR THESE DEPENDENTS UNDER THIS SECTION.]

10 (11) [A PERSON RECEIVING BENEFITS UNDER AS 14.25.110, AS 22.-  
11 25. 010 -- 22.25.090 OR AS 39.35.010 -- 39.35.690 MAY OBTAIN MAJOR  
12 MEDICAL AND PRESCRIPTION DRUG INSURANCE UNDER THIS SECTION FOR HIMSELF  
13 AND ANY DEPENDENTS TO COVER COSTS WHICH ARE NOT COVERED BY THE FEDERAL  
14 OLD AGE SURVIVOR'S AND DISABILITY INSURANCE PROGRAM.]

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

17 (13) [NO PERSON MAY ELECT FOR COVERAGE UNDER (9), (10) OR (11)  
18 OF THIS SECTION UNLESS HE WAS OR IS PRESENTLY ELIGIBLE FOR COVERAGE UN-  
19 DER THIS SECTION.]

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

24 (15) A person receiving benefits under AS 14.25.010 -- 14.25.-  
25 220, AS 22.25.010 -- 22.25.090, AS 39.35.010 -- 39.35.690, or former  
26 AS 39.37 may obtain auditory, visual, and dental insurance for that per-  
27 son and eligible dependents [HIMSELF] under this section. The level of  
28 coverage for persons over 65 shall be the same as that available before  
29 reaching age 65 except that the benefits payable shall be supplemental

1 to any benefits provided [THOSE AFFORDED] under the federal old age,  
2 survivors, and disability insurance program [, IF ANY]. A person elect-  
3 ing to have insurance under this paragraph shall pay the cost of the  
4 insurance. The commissioner of administration shall adopt regulations  
5 implementing this paragraph.

6 \* Sec. 36. AS 39.30 is amended by adding new sections to read:

7       Sec. 39.30.095. FUND ESTABLISHED. (a) The commissioner of admin-  
8 istration shall establish the group health and life benefits fund, as a  
9 special account in the general fund, to provide for group life and  
10 health insurance under AS 39.30.090 and 39.30.160. The commissioner  
11 shall maintain accounts and records for the fund. The fund consists of  
12 employer contributions, employee contributions, appropriations from the  
13 legislature, and interest earned on investment of the fund as provided  
14 in (d) of this section.

15       (b) After obtaining the advice of an actuary, the commissioner of  
16 administration shall determine the amount necessary to provide benefits  
17 under AS 39.30.090 and 39.30.160 and shall set the rate of employer con-  
18 tribution and employee contribution, if any. The commissioner of admin-  
19 istration shall pay premiums and claims in accordance with the insurance  
20 policies in effect under AS 39.30.090 and 39.30.160 with money in the  
21 group health and life benefits fund.

22       (c) The commissioner of administration or the designee of the com-  
23 missioner is administrator of the fund.

24       (d) If the commissioner of administration determines that there is  
25 more money in the fund than the amount needed to pay premiums or bene-  
26 fits for the current fiscal year, the surplus, or so much of it as the  
27 commissioner of administration considers advisable, may be invested by  
28 the commissioner of revenue in the same manner as retirement funds are  
29 invested under AS 39.35.110.

1 (e) In this section, "fund" means the group health and life bene-  
2 fits fund.

3 Sec. 39.30.230. PUBLIC EMPLOYEES' AND TEACHERS' DISABILITY REVIEW  
4 BOARD. (a) A Public Employees' and Teachers' Disability Review Board  
5 is established within the Department of Administration as a permanent  
6 advisory board to the Public Employees' Retirement Board, the Teachers'  
7 Retirement Board, and the administrator, in recognition of the need for  
8 expert review of applications for disability benefits under AS 14.25 and  
9 AS 39.35.

10 (b) The board shall consist of five members. One member shall be  
11 the chairman of the Public Employees' Retirement Board or his designee,  
12 one member shall be the chairman of the Teachers' Retirement Board or  
13 his designee, one member shall be the director of the division of voca-  
14 tional rehabilitation or his designee, and two members shall be physi-  
15 cians authorized to practice medicine in the state.

16 (c) The chairmen of the Public Employees' and Teachers' Retirement  
17 Boards and the director of the division of vocational rehabilitation  
18 serve ex officio. The physician members of the board are appointed by  
19 the governor from a list of four names, two of which are to be submitted  
20 by the Public Employees' Retirement Board and two by the Teachers'  
21 Retirement Board. The physician members serve at the pleasure of the  
22 governor, but their service shall not exceed four consecutive years  
23 unless their names are resubmitted and they are reappointed.

24 (d) The chairman of the Public Employees' Retirement Board or his  
25 designee is chairman of the board except in matters relating to the  
26 teachers' retirement system when the chairman of the Teachers' Retire-  
27 ment Board or his designee shall act as chairman.

28 (e) The ex officio members shall receive no compensation for their  
29 services. The director of the division of vocational rehabilitation

1 shall be excused from his regular duties while attending meetings of the  
2 board. The appointed members shall receive hourly compensation for  
3 their services at a rate to be determined by the commissioner of admini-  
4 stration. The rate of compensation shall be consistent with the normal  
5 hourly earnings of the appointed members. All members shall receive  
6 travel expenses and per diem when it is necessary to travel.

7 Sec. 39.30.235. DUTIES OF THE BOARD. (a) The board shall review  
8 disability claims and other medically related matters referred to it by  
9 the Public Employees' Retirement Board, the Teachers' Retirement Board,  
10 or the administrator.

11 (b) The board may, when necessary, require applicants for disabili-  
12 ty benefits to supply information, appear before the board, and answer  
13 questions. The board may, at its option, refer the applicant to a phy-  
14 sician of its choice or may approve an examination by a physician of the  
15 applicant's choosing. The applicant shall pay the cost of the examina-  
16 tion when it is performed by a physician of his own choosing, and the  
17 board shall pay the cost of the examination when it is performed by a  
18 physician of its choosing, but the applicant shall in no case be re-  
19 quired to pay travel expenses to meet the medical examination require-  
20 ments of this section.

21 (c) Upon review of the application for disability benefits and  
22 medical evidence supporting the application, the board shall advise the  
23 administrator of its findings. If an applicant is found to be disabled,  
24 the board shall render an opinion as to the type of positions, if any,  
25 the applicant would be capable of filling, given the applicant's present  
26 medical condition.

27 Sec. 39.30.240. DEFINITIONS. In AS 39.30.230 -- 39.30.240,

28 (1) "administrator" means the commissioner of administration  
29 or his designee;

1 (2) "board" means the Public Employees' and Teachers' Dis-  
2 ability Review Board established under AS 39.30.230.

3 \* Sec. 37. AS 39.35.040(5)(A) is amended to read:

4 (A) an appropriate contribution rate for all employers  
5 [, IN ADDITION TO WHICH THE STATE SHALL PAY THE APPROPRIATE SOCIAL  
6 SECURITY CONTRIBUTION]; and

7 \* Sec. 38. AS 39.35.100(b)(1) is amended to read:

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

19 \* Sec. 39. AS 39.35.100(b)(3) is amended to read:

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

1 bears to the total of the average balance of the retirement reserve ac-  
2 count and all employer accounts [EMPLOYERS].

3 \* Sec. 40. AS 39.35.200 is amended to read:

4 Sec. 39.35.200. REFUND UPON TERMINATION OF EMPLOYMENT FOR REASON  
5 OTHER THAN DEATH. (a) An inactive employee, not on leave-without-pay  
6 status or layoff status, is entitled to receive a refund of the balance  
7 of [(1)] his employee contribution account [AND (2) HIS EMPLOYEE SAVINGS  
8 ACCOUNT].

9 (b) If, upon termination of employment, an employee has credited  
10 service of less than five years and has less than \$1,000 in the [HIS]  
11 employee contribution account, a refund of the employee contribution ac-  
12 count [AND THE EMPLOYEE SAVINGS ACCOUNT] must be made unless the employ-  
13 ee indicates in writing that future retirement is intended and contribu-  
14 tions should not be refunded. An employee who is reemployed with an em-  
15 ployer and whose contributions have not been refunded before reemploy-  
16 ment [RE-EMPLOYMENT] is not eligible for a refund.

17 \* Sec. 41. AS 39.35.340(g) is amended to read:

18 (g) A surviving spouse receiving or entitled to receive benefits  
19 [A SURVIVING SPOUSE'S PENSION] under AS 39.35.420(b), 39.35.430, or 39.-  
20 35.440 or benefits under a joint and survivor option filed under AS 39.-  
21 35.450 is eligible to receive increased benefits based upon military  
22 service as described in (a) of this section. To receive credited ser-  
23 vice for military service, the surviving spouse must verify the employ-  
24 ee's military service. When verified, the surviving spouse is entitled  
25 to receive an increased benefit which shall be actuarially adjusted to  
26 reflect his or her indebtedness for that credit. The indebtedness shall  
27 be calculated in the same manner as described in (b) of this section ex-  
28 cept that it shall be based on the average monthly compensation used in  
29 calculating the benefit. Benefits payable under this subsection are ef-

1       fective the first day of the month following that in which eligibility  
2       has been established.

3       \* Sec. 42. AS 39.35.350(c) is repealed and reenacted to read:

4               (c) Any outstanding indebtedness which exists at the time an em-  
5       ployee is appointed to retirement will necessitate an actuarial adjust-  
6       ment to the benefits payable based on service reinstated under this sec-  
7       tion.

8       \* Sec. 43. AS 39.35.360(b) is amended to read:

9               (b) An employee who, under (a) of this section, is entitled to  
10       credited service for employment before January 1, 1961, is not required  
11       to make retroactive contributions under this chapter.

12       \* Sec. 44. AS 39.35.385(c) is amended to read:

13               (c) Credited service for which contributions were refunded is not  
14       creditable under this section unless the refunded contributions have  
15       been repaid. For purposes of (a) and (b) of this section, a member or  
16       former member does not have to be reemployed under this system in order  
17       to pay refunded contributions. Compound interest at the rate prescribed  
18       by regulation must be added to the reinstatement indebtedness from the  
19       date of the refund to the date of repayment.

20       \* Sec. 45. AS 39.35.385(d) is repealed and reenacted to read:

21               (d) The monthly amount of a conditional service retirement benefit  
22       shall be calculated on the years of fully paid credited service in ac-  
23       cordance with AS 39.35.370(c), except that the member may irrevocably  
24       elect to substitute one-twelfth of the "average base salary" as defined  
25       in AS 14.25.220(5) in place of average monthly compensation.

26       \* Sec. 46. AS 39.35.420 is amended to read:

27               Sec. 39.35.420. NONOCCUPATIONAL DEATH BENEFITS. (a) If the death  
28       of an employee occurs from nonoccupational causes after completing less  
29       than one year of credited service, the employee's designated beneficiary

1 shall be paid the balance of [: (1)] the employee [EMPLOYEE'S] contri-  
2 bution account [; AND (2) THE EMPLOYEE'S SAVINGS ACCOUNT]. If the death  
3 of an employee occurs from nonoccupational causes after completing at  
4 least one year but less than five years of credited service, a [LUMP  
5 SUM] death benefit shall be paid to the employee's designated benefi-  
6 cary [OF THE EMPLOYEE]. The amount of the [LUMP SUM] death benefit shall  
7 be the amount set out in (c) of this section [\$100 TIMES YEARS OF CRED-  
8 ITED SERVICE PLUS \$1,000. THE LUMP SUM DEATH BENEFIT IS IN ADDITION TO  
9 THE BALANCE OF THE EMPLOYEE'S CONTRIBUTION ACCOUNT AND SAVINGS ACCOUNT].

10 (b) If the death of a vested member or deferred vested member oc-  
11 curs from nonoccupational causes and the member designated no person  
12 other than the surviving spouse as beneficiary to receive nonoccupational  
13 death benefits, the surviving spouse may elect to [AT HIS OR HER DIS-  
14 CRETION] receive either the amounts set out in (c) [BENEFITS DESCRIBED  
15 IN (a)] of this section or a 50 percent joint and survivor option based  
16 upon credited service to the date of the employee's death or termina-  
17 tion. Benefits accrue from the first day of the month following the em-  
18 ployee's death and are payable the last day of the month.

19 (c) If a vested or deferred vested member designates as benefi-  
20 ciary someone other than the surviving spouse to receive nonoccupational  
21 death benefits, the designated beneficiary shall be paid: (1) the bal-  
22 ance of the deceased member's employee contribution account; and (2) a  
23 lump sum death benefit. The amount of the lump sum death benefit is  
24 \$100 times the years of credited service of the deceased member plus  
25 \$1,000.

26 \* Sec. 47. AS 39.35.430(b) is amended to read:

27 (b) If (1) the death of an employee occurs before his retirement  
28 and before his normal retirement date, and (2) the proximate cause of  
29 death is a bodily injury sustained or a hazard undergone while in the

1 performance and within the scope of his duties, and (3) the injury or  
2 hazard is not the proximate result of wilful negligence of the employee,  
3 a monthly survivor's pension equal to 40 percent of his monthly compen-  
4 sation in the month in which he dies shall be paid to his surviving  
5 spouse. If there is no surviving spouse or if the spouse later dies,  
6 the monthly survivor's pension shall be paid in equal parts to the  
7 dependent children of the employee. On the date the normal retirement  
8 of the employee would have occurred if he had lived, monthly payments  
9 shall equal the monthly amount of the normal retirement benefit to which  
10 the employee, had he lived and continued his employment until his normal  
11 retirement date, would have been entitled with an average monthly compen-  
12 sation as existed at his death and the credited service to which he  
13 would have been entitled.

14 \* Sec. 48. AS 39.35.430 is amended by adding a new subsection to read:

15 (f) If the death of an employee occurs from occupational causes  
16 but no surviving spouse or dependent children exist at the time of the  
17 death or if the employee designates as beneficiary someone other than  
18 the surviving spouse or dependent children, the employee's designated  
19 beneficiary is entitled to receive those benefits available to a benefi-  
20 ciary under AS 39.35.420(c) and no occupational death benefit will be  
21 paid to the surviving spouse or dependent children. If the designated  
22 beneficiary is the surviving spouse or dependent children, the bene-  
23 ficiary shall receive the benefit described in (b) of this section.

24 \* Sec. 49. AS 39.35.440(b) is amended to read:

25 (b) Upon the death of a disabled employee who is receiving or is  
26 entitled to receive an occupational disability benefit, a surviving  
27 spouse's pension equal to 40 percent of the employee's [HIS AVERAGE]  
28 monthly compensation at the termination of employment because of occupa-  
29 tional disability shall be paid to the [HIS] surviving spouse. If there

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

16 \* Sec. 50. AS 39.35.460 is amended to read:

17 Sec. 39.35.460. LEVEL INCOME OPTION. If the payment of a [AN EAR-  
18 LY] retirement pension begins before age 65 [THE EARLIEST AGE AS OF  
19 WHICH THE EMPLOYEE BECOMES ELIGIBLE FOR A PRIMARY SOCIAL SECURITY BENE-  
20 FIT], the amount of pension payable before and after that age may be ad-  
21 justed so that an increased amount will be paid before the time that  
22 full social security benefits become available and a reduced amount af-  
23 ter that time, so that the employee may [WILL] receive a more level [RE-  
24 TIREMENT] income for life. The aggregate value of all adjusted payments  
25 may [, HOWEVER, SHALL] not exceed the actuarial equivalent of the value  
26 of the pension otherwise payable to the employee.

27 \* Sec. 51. AS 39.35.475(b) is amended to read:

28 (b) The amount of the increase in benefit payments may not exceed  
29 the lesser [GREATER] of

1 (1) the increase in the cost of living since the date of re-  
2 tirement; or

3 (2) four percent of the retirement benefit compounded for  
4 each year of retirement.

5 \* Sec. 52. AS 39.35.485(a) is amended to read:

6 (a) An employee who is eligible for a benefit calculated in accor-  
7 dance with AS 39.35.370(c) is entitled to a benefit of at least \$25 a  
8 month for each year of credited service, not including adjustments made  
9 under AS 39.35.340 for military service, AS 39.35.350 for reinstatement  
10 of credited service, AS 39.35.360 for credit for earlier service, AS 39.  
11 35.370(c) for early retirement, AS 39.35.420 for nonoccupational death  
12 benefits [39.35.380, 39.35.410,] 39.35.450 for the survivor's option,  
13 AS 39.35.460 for the level income option, AS 39.35.475 for the post-re-  
14 irement pension adjustment, and AS 39.35.480 for the cost of living.

15 \* Sec. 53. AS 39.35.490(a) is amended to read:

16 (a) Each employee shall designate the beneficiary or beneficiaries  
17 to whom benefits payable under this chapter as a consequence of his  
18 death [UNDER AS 39.35.200 -- 39.35.240 AND AS 39.35.420 -- 39.35.440]  
19 shall be distributed.

20 \* Sec. 54. AS 39.35.522(a) is amended to read:

21 (a) Upon appeal by an affected member or beneficiary under (b) of  
22 this section, the board may waive an adjustment or any portion of an ad-  
23 justment made under AS 39.35.520 if, in the opinion of the board,

24 (1) the adjustment or portion of the adjustment will [, IN  
25 THE OPINION OF THE BOARD,] cause undue hardship to the member or bene-  
26 ficiary;

27 [(2) THE MEMBER IS RETIRED OR HAS SUBMITTED NOTIFICATION OF  
28 IMPENDING RETIREMENT TO HIS EMPLOYER TO BE EFFECTIVE NO LATER THAN 180  
29 DAYS AFTER THE ADJUSTMENT WAS MADE, OR THE BENEFICIARY WAS ELIGIBLE TO

1 RECEIVE OR WAS RECEIVING BENEFITS UNDER THIS CHAPTER BEFORE THE ADJUST-  
2 MENT;

3 (3) THE ADJUSTMENT WILL RESULT IN A LOSS OF ELIGIBILITY FOR  
4 BENEFITS FOR THE MEMBER OR BENEFICIARY OR RESULT IN A REDUCTION OF BENE-  
5 FITS BEING RECEIVED BY THE MEMBER OR BENEFICIARY OF \$50 PER MONTH OR  
6 MORE;]

7 (4) the adjustment was not the result of erroneous informa-  
8 tion supplied by the member or beneficiary;

9 (5) before the adjustment was made, the member or beneficiary  
10 received confirmation from the administrator that his records were cor-  
11 rect; and

12 (6) the member or beneficiary had no reasonable grounds to  
13 believe his records were incorrect before the adjustment was made.

14 \* Sec. 55. AS 39.35.530 is amended to read:

15 Sec. 39.35.530. LIMIT ON PENSION. No employee may simultaneously  
16 receive a pension under more than one section of this chapter. However,  
17 benefits under AS 39.35.420(b), 39.35.430, 39.35.440 or 39.35.450 shall  
18 be paid in addition to the benefits or service credit a person is enti-  
19 tled to receive because of the person's own membership in the retirement  
20 system. An employee shall not (1) receive duplicate credit under this  
21 system for the same period of service, (2) receive more than one year of  
22 service credit in the course of any calendar year, or (3) receive a  
23 benefit while accruing service credit under this system except as pro-  
24 vided in this section.

25 \* Sec. 56. AS 39.35.535 is repealed and reenacted to read:

26 Sec. 39.35.535. MEDICAL BENEFITS. (a) The following persons are  
27 entitled to major medical insurance coverage:

28 (1) a person receiving a monthly benefit from the system:

29 (2) the spouse of a person receiving a monthly benefit from

1 the system;

2 (3) a natural or adopted child of a person receiving a month-  
3 ly benefit from the system, if the child is a dependent child under  
4 AS 39.35.680(11).

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

12 \* Sec. 57. AS 39.35 is amended by adding a new section to read:

13 Sec. 39.35.541. ACTUARIAL REDUCTION OF BENEFIT. If, as a result  
14 of service credit claimed for which there is a corresponding indebted-  
15 ness existing at retirement, the member's retirement benefit is actuar-  
16 ially reduced and the resultant benefit is less than it would have been  
17 if the service credit had not been claimed, the retirement benefit shall  
18 be equal to the amount it would have been had the service credit not  
19 been claimed.

20 \* Sec. 58. AS 39.35.560 is amended to read:

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

29 \* Sec. 59. AS 39.35.615(a) is amended to read:

1 (a) A political subdivision or public organization may request  
2 that its participation agreement be amended. The request may be made  
3 only after adoption of a resolution by the legislative body of the po-  
4 litical subdivision and approval of the resolution by the person re-  
5 quired by law to approve the resolution, or, in the case of a public or-  
6 ganization, after adoption of a resolution by the governing body of that  
7 public organization. A certified copy of the resolution shall be filed  
8 with the administrator. If a political subdivision or public organiza-  
9 tion amends its participation agreement so as to terminate coverage of a  
10 department, group, or other classification of employees, each employee  
11 whose coverage is so terminated, regardless of his employment status at  
12 the date of termination, shall be considered fully vested in his actuar-  
13 ially adjusted accrued retirement benefits as of the date of termina-  
14 tion, unless his contributions have been refunded.

15 \* Sec. 60. AS 39.35.615(c) is amended to read:

16 (c) Each employee who elects to obtain a refund shall receive a  
17 refund of the balance of [(1)] his employee contribution account [AND  
18 (2) HIS EMPLOYEE SAVINGS ACCOUNT]. The vesting in accrued benefits for  
19 each employee who elects to obtain a refund is voided upon his receipt  
20 of the refund, and the corresponding credited service may not be rein-  
21 stated under this chapter. A partial refund may not be allowed under  
22 this section.

23 \* Sec. 61. AS 39.35.620(e) is amended to read:

24 (e) Each employee who elects to obtain a refund shall receive a  
25 refund of the balance, determined as of the date of his employer's ter-  
26 mination of participation, of [(1)] his employee contribution account  
27 [AND (2) HIS EMPLOYEE SAVINGS ACCOUNT]. The vesting in accrued benefits  
28 for each employee who elects to receive a refund is voided upon his re-  
29 ceipt of his refund and corresponding credited service may not be rein-

1 stated under this chapter. No partial refund may be allowed under this  
2 section.

3 \* Sec. 62. AS 39.35.680(8) is amended to read:

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

14 \* Sec. 63. AS 39.35.680(13) is amended to read:

15 (13) "early retirement" means retirement for a member who is  
16 not eligible for normal retirement and who is at least 50 years old and  
17 is eligible to receive benefits under AS 39.35.370(b) or under 39.35.-  
18 385(b) or (f) [HAS A MINIMUM OF FIVE YEARS CREDITED SERVICE];

19 \* Sec. 64. AS 39.35.680(15) is amended to read:

20 (15) "employee contribution account" means the total [ACCOUNT]  
21 maintained by the system of [TO RECORD] the employee's mandatory contri-  
22 butions, voluntary contributions, indebtedness principal, and interest  
23 contributions, interest credited to each of those accounts, [OF EACH EM-  
24 PLOYEE, INCLUDING INTEREST] and adjustments to the accounts [ACCOUNT] in  
25 accordance with AS 39.35.100;

26 \* Sec. 65. AS 39.35.680(21)(C) is amended by adding a new subparagraph to  
27 read:

28 (viii) members of the elected public officers' retire-  
29 ment system (former AS 39.37);

1 \* Sec. 66. AS 39.35.680(25) is amended to read:

2 (25) "normal retirement" means retirement for a member who is  
3 eligible to receive benefits under AS 39.35.370(a) or under 39.35.385(a)  
4 or (f) [AT LEAST 55 YEARS OLD AND HAS A MINIMUM OF FIVE YEARS CREDITED  
5 SERVICE, OR WHO IS ANY AGE AND HAS 30 YEARS OR MORE OF CREDITED SERVICE,  
6 OR A PEACE OFFICER OR FIREMAN WHO IS ANY AGE AND HAS 20 YEARS OR MORE OF  
7 CREDITED SERVICE];

8 \* Sec. 67. AS 39.35.680 is amended by adding a new paragraph to read:

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

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

12 (B) whose officers and employees are paid by a method  
13 other than by the state payroll prepared by the Department of Ad-  
14 ministration; and

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

17 \* Sec. 68. AS 39.35.020(5)(D), 39.35.470, and 39.35.540 are repealed.

18 \* Sec. 69. This Act takes effect July 1, 1982.  
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