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Referred: State Affairs  
and Finance

1 IN THE HOUSE

BY M.M.MILLER AND DUNCAN

2

HOUSE BILL NO. 252

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to state retirement benefits; and  
7 providing for an effective date."

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

9 \* Section 1. AS 39.35.160(a) is repealed and reenacted to read:

10 (a) Beginning July 1, 1985, each peace officer or fireman shall  
11 contribute to the system an amount equal to seven percent of the peace  
12 officer's or fireman's compensation. Beginning July 1, 1985, each  
13 other employee shall contribute to the system an amount equal to six  
14 and one-quarter percent of the employee's compensation. The  
15 contributions shall be deducted by the employer at the end of each  
16 payroll period. The contributions shall be deducted from employee  
17 compensation before computation of applicable federal taxes, and the  
18 contributions shall be treated as employer contributions under  
19 26 U.S.C. 414(h)(2).

20 \* Sec. 2. AS 39.35.340(a) is amended to read:

21 (a) A vested employee is entitled to credited service for active  
22 military service in the armed forces of the United States, either by  
23 enlistment or induction, if the employee did not receive a dishonor-  
24 able discharge and is not entitled to receive benefits from the United  
25 States government for the same service. The credited service allowed  
26 may not exceed an aggregate period of five years. Benefits are not  
27 payable on credited service for military service unless the employee  
28 makes retroactive contributions to the system for the period of time  
29 that service credit is claimed. However, if the employee was in the

1 employ of an employer on the date of entry into the armed forces and  
2 returned to the employ of an employer within 90 days after the date of  
3 discharge from military service, the employee is not required to make  
4 retroactive contributions under this system for the period of credited  
5 service.

6 \* Sec. 3. AS 39.35.340(b) is repealed and reenacted to read:

7 (b) In order to obtain credited service under this section, an  
8 employee shall make an election to do so and shall verify the period  
9 of military service. When eligibility for credited service for mili-  
10 tary service has been established, an indebtedness shall be determined  
11 as follows: (1) the employee's actual compensation, or the cal-  
12 culated annual compensation for those employees working less than 12  
13 months, during the calendar year 1976 or the year in which an employee  
14 first becomes vested under this chapter, whichever is later, multi-  
15 plied by (2) the number of years of military service credited under  
16 this section and this product multiplied by (3) six percent for  
17 members who are first eligible to claim this military service before  
18 July 1, 1985, or eight percent for members who are first eligible to  
19 claim this military service on or after July 1, 1985. Interest as  
20 prescribed by regulation accrues on this indebtedness beginning on  
21 July 1, 1977, or one year following the date a person first becomes  
22 vested, whichever is later. Any outstanding indebtedness that exists  
23 at the time a person is appointed to retirement will necessitate an  
24 actuarial adjustment to the benefits payable based upon that military  
25 service.

26 \* Sec. 4. AS 39.35.370(a) is amended to read:

27 (a) A terminated employee is eligible for a normal retirement  
28 benefit (1) at age 60 [55] with at least five years credited service,  
29 or (2) with at least 20 years of credited service as a peace officer

1 or fireman, or (3) with at least 30 years of credited service for all  
2 other employees.

3 \* Sec. 5. AS 39.35.370(b) is amended to read:

4 (b) A terminated employee is eligible for an early retirement  
5 benefit at age 55 [50] with at least five years credited service.

6 \* Sec. 6. AS 39.35.370(c) is amended to read:

7 (c) The monthly amount of a retirement benefit for a peace  
8 officer or fireman is two percent of the average monthly compensation  
9 times the years of credited service [UP] through 10 years, plus two  
10 and one-half percent of the average monthly compensation times the  
11 years of service over 10 years. For all other employees it is two  
12 percent of the average monthly compensation times the years of service  
13 through 10 years, plus two and one-quarter percent of the average  
14 monthly compensation times the years of service over 10 years through  
15 20 years, plus two and one-half percent of the average monthly  
16 compensation times the years of credited service for service over 20  
17 years. An actuarial adjustment must be made for an early retirement  
18 benefit.

19 \* Sec. 7. AS 39.35.385(a) is amended to read:

20 (a) An employee is eligible for a normal retirement benefit at  
21 age 60 [55] with at least two years of credited service if the employ-  
22 ee also is eligible for a normal retirement salary under the teachers'  
23 retirement system (AS 14.25).

24 \* Sec. 8. AS 39.35.385(b) is amended to read:

25 (b) An employee is eligible for an early retirement benefit at  
26 age 55 [50] with at least two years of credited service if the em-  
27 ployee also is eligible for an early retirement salary under the  
28 teachers' retirement system (AS 14.25).

29 \* Sec. 9. AS 39.35.385(f) is amended to read:

1 (f) An employee is eligible for a normal retirement benefit at  
2 age 60 [55] or an early retirement benefit at age 55 [50] if the  
3 employee has at least 60 days of credited service as a temporary  
4 employee of the legislature during each of five legislative sessions.

5 \* Sec. 10. AS 39.35.475 is repealed and reenacted to read:

6 Sec. 39.35.475. POST-RETIREMENT PENSION ADJUSTMENT. (a) Once  
7 each year the administrator shall increase benefit payments to eligi-  
8 ble disabled members and to persons age 55 or older receiving benefits  
9 under 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 39.35.480.  
12 The amount of the increase is a percentage of the current benefit  
13 equal 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 and for members receiving  
17 disability benefits;

18 (2) the lesser of 50 percent of the increase in the cost of  
19 living in the preceding calendar year or six percent, for recipients  
20 who on July 1 are at least 60 but 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  
2 administrator shall, at the time the member is appointed to retire-  
3 ment, increase the retirement benefit by a percentage equal to the  
4 total cumulative percentage increase that has been applied to the  
5 member's disability benefit under this section.

6 (e) When computing an occupational death benefit under AS 39.-  
7 35.430 or 39.35.440 or a survivor's benefit under AS 39.35.450, ad-  
8 justments granted to the deceased member or survivor under this sec-  
9 tion shall be included.

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

15 \* Sec. 11. AS 39.35.480(a) is amended to read:

16 (a) While residing in the state, a person receiving a benefit  
17 under this chapter who is 65 years of age or older or who is receiving  
18 a disability benefit is entitled to receive a monthly cost-of-living  
19 allowance in addition to the basic benefit. The amount of this allow-  
20 ance shall be \$50 or 10 percent of the basic benefit, whichever is  
21 greater.

22 \* Sec. 12. AS 39.35.535 is amended to read:

23 Sec. 39.35.535. MEDICAL BENEFITS. (a) If a benefit recipient  
24 elects major medical insurance coverage under this section, the [THE]  
25 following persons are entitled to [MAJOR MEDICAL INSURANCE] coverage:  
26 (1) a person receiving a monthly benefit from the system;  
27 (2) the spouse of a person receiving a monthly benefit from  
28 the system;  
29 (3) a natural or adopted child of a person receiving a

1 monthly benefit from the system, if the child is a dependent child  
2 under AS 39.35.680(11).

3 (b) After an election of coverage under this section, major  
4 [MAJOR] medical insurance coverage takes effect on the same date that  
5 [AS RETIREMENT] benefits begin, and stops when the member [RETIRED  
6 EMPLOYEE] or survivor is no longer eligible to receive a monthly  
7 benefit. The coverage for persons age 65 or older is the same cover-  
8 age available for a person under 65. The benefits payable to [THOSE]  
9 persons age 65 or older supplement any benefits provided under the  
10 federal old age, survivors and disability insurance program.

11 (c) A benefit recipient may elect major medical insurance cover-  
12 age in accordance with regulations and under the following conditions:

13 (1) a person who is younger than 55 years of age must pay  
14 an amount equal to the full monthly group premium for retiree major  
15 medical insurance coverage;

16 (2) a person who is at least 55 years of age but is younger  
17 than 60 years of age must pay an amount equal to one-half of the full  
18 monthly group premium for retiree major medical insurance coverage;

19 (3) a disabled member or a person 60 years of age or older  
20 is not required to make premium payments.

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

22 (8) "compensation" means the total remuneration earned by  
23 an employee for personal services rendered, including employee contri-  
24 butions under AS 39.35.160, cost-of-living differentials, payments for  
25 leave that is actually used by the employee, the amount by which the  
26 employee's wages are reduced under AS 39.30.150(c), and any amount  
27 deferred under an employer-sponsored deferred compensation plan, but  
28 does not include retirement benefits, welfare benefits, per diem,  
29 expense allowances, workers' compensation payments or payments for

1 leave not used by the employee whether those leave payments are  
2 scheduled payments, lump-sum payments, donations, or cash-ins;

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

4 (13) "early retirement" means retirement for a member who is  
5 not eligible for normal retirement and who is at least 55 [50] years  
6 old and is eligible to receive benefits under AS 39.35.370(b) or under  
7 AS 39.35.385(b) or (f);

8 \* Sec. 15. Sections 2, 4 - 5, 7 - 9, 11 - 12, and 14 of this Act apply  
9 only to members first hired under the Public Employees' Retirement System  
10 after June 30, 1985. Changes in the Public Employees' Retirement System  
11 enacted in this Act that require a reduction in benefits to members of the  
12 retirement system apply only to members who are first hired under the  
13 retirement system after June 30, 1985. Other sections of this Act apply to  
14 all members of the public employees' retirement system, regardless of the  
15 date of hire.

16 \* Sec. 16. This Act takes effect July 1, 1985.