

Offered: 4/22/85  
Referred: Finance

Original sponsors: M.M.Miller and Duncan

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 252 (State Affairs)

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 AS 39.35.160(a) is repealed and reenacted to read: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 January 1, 1986, each peace officer or fireman  
11 shall contribute to the system an amount equal to eight percent of the  
12 peace officer's or fireman's compensation. Beginning January 1, 1986,  
13 each other employee shall contribute to the system an amount equal to  
14 seven 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 received a discharge under  
24 honorable conditions and is not entitled to receive benefits from the  
25 United States government for the same service [DID NOT RECEIVE A  
26 DISHONORABLE DISCHARGE]. The credited service allowed may not exceed  
27 an aggregate period of five years. Benefits are not payable on cred-  
28 ited service for military service unless the employee makes retroac-  
29 tive contributions to the system for the period of time that service

1 credit is claimed. However, if the employee was in the employ of an  
2 employer on the date of entry into the armed forces and returned to  
3 the employ of an employer within 90 days after the date of discharge  
4 from military service, the employee is not required to make retroac-  
5 tive contributions under this system for the period of credited ser-  
6 vice.

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 AS 39.35.340(b) is repealed and reenacted to read:

8 (b) In order to obtain credited service under this section, an  
9 employee shall make an election to do so and shall verify the period  
10 of military service. When eligibility for credited service for mili-  
11 tary service has been established, an indebtedness shall be determined  
12 as follows: (1) the employee's actual compensation, or the cal-  
13 culated annual compensation for those employees working less than 12  
14 months, during the calendar year 1976 or the year in which an employee  
15 first becomes vested under this chapter, whichever is later, multi-  
16 plied by (2) the number of years of military service credited under  
17 this section and this product multiplied by (3) six percent for  
18 members who are first eligible to claim this military service before  
19 January 1, 1986, or nine percent for members who are first eligible to  
20 claim this military service on or after January 1, 1986. Interest as  
21 prescribed by regulation accrues on this indebtedness beginning on  
22 July 1, 1977, or one year following the date a person first becomes  
23 vested, whichever is later. Any outstanding indebtedness that exists  
24 at the time a person is appointed to retirement will necessitate an  
25 actuarial adjustment to the benefits payable based upon that military  
26 service.

27 \* Sec. 4. AS 39.35.360(i) is amended to read:

28 (i) An employee who completes three years of credited service  
29 with an employer, for which the employee makes contributions required

1 by this chapter, is entitled to credited service on a year-for-year  
2 basis for service credited in the Civil Service Retirement System,  
3 rendered as an employee of an Alaska Bureau of Indian Affairs (BIA)  
4 school, other than service as a teacher. Retroactive credited service  
5 under this section must be claimed before the employee retires. When  
6 eligibility for retroactive credited service under this section has  
7 been established, an indebtedness of the employee to the system shall  
8 be determined as follows: (1) [ESTABLISHED. THE AMOUNT OF THIS  
9 INDEBTEDNESS IS DETERMINED BY MULTIPLYING SIX PERCENT OF] the employ-  
10 ee's actual annual compensation, or the calculated annual compensation  
11 for an employee who works fewer than 12 months, for the most recent  
12 calendar year in which service is rendered to an employer before the  
13 calendar year in which the employee first becomes eligible to claim  
14 service under this subsection, multiplied by (2) the number of years  
15 of service in Alaska BIA schools that is credited under this subsec-  
16 tion, and this product multiplied by (3) six percent for employees  
17 first eligible to claim this service before January 1, 1986, or nine  
18 percent for employees first eligible to claim this service on or after  
19 January 1, 1986. Interest as prescribed by regulation accrues on the  
20 indebtedness beginning on the date the employee may first claim the  
21 retroactive credited service. Any outstanding indebtedness that  
22 exists at the time the employee retires requires an actuarial adjust-  
23 ment to the benefits that are based on retroactive credited service  
24 under this section. Service may not be claimed under this subsection  
25 and benefits may not be paid for service claimed under this subsection  
26 if the employee has, at any point in time, enough service credit in  
27 the Civil Service Retirement System to be eligible for a retirement  
28 benefit under that system.

29 \* Sec. 5. AS 39.35.370(a) is amended to read:

1 (a) A terminated employee is eligible for a normal retirement  
2 benefit (1) at age 60 [55] with at least five years credited service,  
3 or (2) with at least 20 years of credited service as a peace officer  
4 or fireman, or (3) with at least 30 years of credited service for all  
5 other employees.

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

7 (b) A terminated employee is eligible for an early retirement  
8 benefit at age 55 [50] with at least five years credited service. An  
9 actuarial adjustment must be made to retirement benefits paid under  
10 this section for an early retirement benefit.

11 \* Sec. 7. AS 39.35.370(c) is amended to read:

12 (c) The monthly amount of a retirement benefit for a peace  
13 officer or fireman is two percent of the average monthly compensation  
14 times the years of credited service [UP] through 10 years, plus two  
15 and one-half percent of the average monthly compensation times the  
16 years of service over 10 years. For all other employees it is

17 (1) two percent of the average monthly compensation times  
18 all [THE] years of service before July 1, 1985, and for years of  
19 service through a total of 10 years; plus

20 (2) two and one-quarter percent of the average monthly  
21 compensation times all years of service after June 30, 1985, over 10  
22 years of total service through 20 years; plus

23 (3) two and one-half percent of the average monthly compen-  
24 sation times all years of service after June 30, 1985, over 20 years  
25 of total service [AN ACTUARIAL ADJUSTMENT MUST BE MADE FOR AN EARLY  
26 RETIREMENT BENEFIT].

27 \* Sec. 8. AS 39.35.385(a) is amended to read:

28 (a) An employee is eligible for a normal retirement benefit at  
29 age 60 [55] with at least two years of credited service if the

1 employee also is eligible for a normal retirement salary under the  
2 teachers' retirement system (AS 14.25).

3 \* Sec. 9. AS 39.35.385(b) is amended to read:

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

8 \* Sec. 10. AS 39.35.385(f) is amended to read:

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

13 \* Sec. 11. AS 39.35.475 is repealed and reenacted to read:

14 Sec. 39.35.475. POST-RETIREMENT PENSION ADJUSTMENT. (a) Once  
15 each year the administrator shall increase benefit payments to eligi-  
16 ble disabled members and to persons age 60 or older receiving benefits  
17 under this system in the preceding calendar year.

18 (b) The increase in benefit payments applies to total benefit  
19 payments except for the cost-of-living allowance under AS 39.35.480.  
20 The amount of the increase is a percentage of the current benefit  
21 equal to

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

26 (2) the lesser of 50 percent of the increase in the cost of  
27 living in the preceding calendar year or six percent, for recipients  
28 who on July 1 are at least 60 but less than 65 years old.

29 (c) If a recipient ~~was~~ not receiving benefits during the entire

1 preceding calendar year, the increase in benefits under this section  
2 shall be adjusted by multiplying it by the fraction whose numerator is  
3 the number of months for which benefits were received in the preceding  
4 calendar year and whose denominator is 12.

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

11 (e) When computing an occupational death benefit under AS 39.-  
12 35.430 or 39.35.440 or a survivor's benefit under AS 39.35.450, ad-  
13 justments granted to the deceased member or survivor under this sec-  
14 tion shall be included.

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

20 \* Sec. 12. AS 39.35.480(a) is amended to read:

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

27 \* Sec. 13. AS 39.35.535 is amended to read:

28 Sec. 39.35.535. MEDICAL BENEFITS. (a) If a benefit recipient  
29 elects major medical insurance coverage under this section, the [THE]

1 following persons are entitled to [MAJOR MEDICAL INSURANCE] coverage:

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

3 (2) the spouse of a person receiving a monthly benefit from  
4 the system;

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

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

16 \* Sec. 14. AS 39.35.535 is amended by adding a new subsection to read:

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

19 (1) a person who is younger than 60 years of age must pay  
20 an amount equal to the full monthly group premium for retiree major  
21 medical insurance coverage;

22 (2) a person who is at least 60 years of age but is younger  
23 than 65 years of age must pay an amount equal to one-half of the full  
24 monthly group premium for retiree major medical insurance coverage;

25 (3) a disabled member or a person 65 years of age or older  
26 is not required to make premium payments.

27 \* Sec. 15. AS 39.35.680(8) is amended to read:

28 (8) "compensation" means the total remuneration earned by  
29 an employee for personal services rendered, including employee

1 contributions under AS 39.35.160, cost-of-living differentials, pay-  
2 ments for leave that is actually used by the employee, the amount by  
3 which the employee's wages are reduced under AS 39.30.150(c), and any  
4 amount deferred under an employer-sponsored deferred compensation  
5 plan, but does not include retirement benefits, welfare benefits, per  
6 diem, expense allowances, workers' compensation payments or payments  
7 for leave not used by the employee whether those leave payments are  
8 scheduled payments, lump-sum payments, donations, or cash-ins;

9 \* Sec. 16. AS 39.35.680(13) is amended to read:

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

14 \* Sec. 17. Sections 2, 5 - 6, 8 - 10, 12 - 14, and 16 of this Act apply  
15 only to members first hired under the Public Employees' Retirement System  
16 after June 30, 1985. Changes in the Public Employees' Retirement System  
17 enacted in this Act that require a reduction in benefits to members of the  
18 retirement system apply only to members who are first hired under the  
19 retirement system after June 30, 1985. Other sections of this Act apply to  
20 all members of the public employees' retirement system, regardless of the  
21 date of hire.

22 \* Sec. 18. Sections 2, 9 - 14, 16, and 17 of this Act take effect  
23 July 1, 1985.

24 \* Sec. 19. Sections 1, 3, 4, and 15 of this Act take effect January 1,  
25 1986.