

Offered: 2/10/86  
Referred: Finance

Original sponsors: M.M.Miller and Duncan

1 IN THE HOUSE BY THE STATE AFFAIRS COMMITTEE  
2 SENATE CS FOR CS FOR HOUSE BILL NO. 252 (State Affairs)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 FOURTEENTH LEGISLATURE - SECOND 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 AS 39.35.160(a) is repealed and reenacted to read: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, 1987, each peace officer or fireman  
11 shall contribute to the system an amount equal to seven and one-half  
12 percent of the peace officer's or fireman's compensation. Beginning  
13 January 1, 1987, each other employee shall contribute to the system an  
14 amount equal to six and three-quarters percent of the employee's  
15 compensation. The contributions shall be deducted by the employer at  
16 the end of each payroll period. The contributions shall be deducted  
17 from employee compensation before computation of applicable federal  
18 taxes, and the contributions shall be treated as employer contribu-  
19 tions under 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 retirement bene-  
25 fits from the United States government for the same service [DID NOT  
26 RECEIVE A DISHONORABLE DISCHARGE]. The credited service allowed may  
27 not exceed an aggregate period of five years. Benefits are not pay-  
28 able on credited service for military service unless the employee  
29 makes retroactive contributions to the system for the period of time

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

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 AS 39.35.340(b) is repealed and reenacted to read: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, 1987, or eight and one-half percent for members who are  
20 first eligible to claim this military service on or after January 1,  
21 1987. Interest as prescribed by regulation accrues on this indebted-  
22 ness beginning on July 1, 1977, or one year following the date a  
23 person first becomes vested, whichever is later. Any outstanding  
24 indebtedness that exists at the time a person is appointed to retire-  
25 ment will necessitate an actuarial adjustment to the benefits payable  
26 based upon that military 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, 1987, or eight  
18 and one-half percent for employees first eligible to claim this ser-  
19 vice on or after January 1, 1987. Interest as prescribed by regu-  
20 lation accrues on the indebtedness beginning on the date the employee  
21 may first claim the retroactive credited service. Any outstanding  
22 indebtedness that exists at the time the employee retires requires an  
23 actuarial adjustment to the benefits that are based on retroactive  
24 credited service under this section. Service may not be claimed under  
25 this subsection and benefits may not be paid for service claimed under  
26 this subsection if the employee has, at any point in time, enough  
27 service credit in the Civil Service Retirement System to be eligible  
28 for a retirement 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, 1986, 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, 1986, 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, 1986, 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, to persons age 60 or older receiving benefits  
17 under this system in the preceding calendar year, and to persons who  
18 have received benefits under this system for at least five years who  
19 are not otherwise eligible for an increase under this section.

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

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

28 (2) the lesser of 50 percent of the increase in the cost of  
29 living in the preceding calendar year or six percent, for recipients

1 who on July 1 are at least 60 but less than 65 years old or for recip-  
2 ients who are less than 60 years old on July 1 but who have received  
3 benefits from the system for at least five years.

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

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

15 (e) When computing an occupational death benefit under AS 39.-  
16 35.430 or 39.35.440 or a survivor's benefit under AS 39.35.450, ad-  
17 justments granted to the deceased member or survivor under this sec-  
18 tion shall be included.

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

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

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

1 greater.

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

3 Sec. 39.35.535. MEDICAL BENEFITS. (a) If a benefit recipient  
4 elects major medical insurance coverage under this section, the [THE]  
5 following persons are entitled to [MAJOR MEDICAL INSURANCE] coverage:

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

7 (2) the spouse of a person receiving a monthly benefit from  
8 the system;

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

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

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

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

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

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

29 (3) a disabled member or a person 65 years of age or older

1 is not required to make premium payments.

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

3 (8) "compensation" means the total remuneration earned by  
4 an employee for personal services rendered, including employee contri-  
5 butions under AS 39.35.160, cost-of-living differentials, payments for  
6 leave that is actually used by the employee, the amount by which the  
7 employee's wages are reduced under AS 39.30.150(c), and any amount  
8 deferred under an employer-sponsored deferred compensation plan, but  
9 does not include retirement benefits, welfare benefits, per diem,  
10 expense allowances, workers' compensation payments or payments for  
11 leave not used by the employee whether those leave payments are sched-  
12 uled payments, lump-sum payments, donations, or cash-ins;

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

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

18 \* Sec. 17. The benefits payable under sec. 1, ch. 102, SLA 1951, as  
19 increased by ch. 85, SLA 1970, ch. 134, SLA 1975, and sec. 43, ch. 146, SLA  
20 1980, are further increased by \$100 per month for each recipient.

21 \* Sec. 18. Sections 2, 5 - 6, 8 - 10, 12 - 14, and 16 of this Act apply  
22 only to members first hired under the Public Employees' Retirement System  
23 after June 30, 1986. Changes in the Public Employees' Retirement System  
24 enacted in this Act that require a reduction in benefits to members of the  
25 retirement system apply only to members who are first hired under the  
26 retirement system after June 30, 1986. Other sections of this Act apply to  
27 all members of the public employees' retirement system, regardless of the  
28 date of hire.

29 \* Sec. 19. Sections 2, 5 - 14, 16, and 18 of this Act take effect

1 July 1, 1986.

2 \* Sec. 20. Sections 1, 3, 4, and 15 of this Act take effect January 1,  
3 1987.

4 \* Sec. 21. Section 17 of this Act takes effect immediately in accor-  
5 dance with AS 01.10.070(c).