

Offered: 4/1/86
Referred: Rules

Original sponsors: M.M. Miller and Duncan

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 252 (Finance)

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 14.25.060(a)(1) is amended to read:

10 (1) At the time of first becoming a member of the system,
11 the arrearage indebtedness is seven percent of the base salary multi-
12 plied by the total number of years of creditable outside, military and
13 Alaska BIA service. The administrator shall add compound [COMPOUND]
14 interest at the rate prescribed by regulation [SHALL BE ADDED] to the
15 arrearage indebtedness beginning July 1, 1963, or at the time the
16 member [OF] first becomes eligible to claim the service [BECOMING
17 EMPLOYED AS A MEMBER], whichever is later, to the date of payment or
18 the date of retirement, whichever occurs first.

19 * Sec. 2. AS 14.25.173 is amended by adding a new subsection to read:

20 (d) The system shall pay interest on amounts owed to a member or
21 beneficiary. Interest shall be charged on amounts owed to the system
22 by a member or beneficiary if the amount owed is the result of errone-
23 ous information supplied by the member or beneficiary, or the member
24 or beneficiary had reasonable grounds to believe the amount of the
25 benefit was in error. The interest paid under this subsection is at
26 the rate established by regulation for indebtedness contributions
27 owed. Interest accrues from the date on which the correct payment was
28 due and continues until an actuarial adjustment to the benefit is
29 effective or the amount owed is paid. Accrued interest for periods

1 less than 60 days or in amounts less than the limit established in
2 regulation for writing off small indebtedness and refund balances may
3 not be collected or paid under this subsection.

4 * Sec. 3. AS 14.25.200 is amended to read:

5 Sec. 14.25.200. EXEMPTION FROM TAXATION AND PROCESS. (a)
6 Member contributions [BENEFITS] and other amounts held in the retire-
7 ment fund on behalf of a member or other person who is or may become
8 eligible for benefits under the system [THE MEMBERS] are exempt from
9 Alaska state and municipal taxes and are not subject to anticipation,
10 alienation, sale, transfer, assignment, pledge, encumbrance, or charge
11 of any kind, either voluntary or involuntary, before they are received
12 by the person entitled to the amount under the terms of the system,
13 and any attempt to anticipate, alienate, sell, transfer, assign,
14 pledge, encumber, charge, or otherwise dispose of any right to amounts
15 accrued in the retirement fund is void.

16 (b) Member contributions [TEACHERS' RETIREMENT SALARIES] and
17 other amounts held in the retirement fund and benefits payable under
18 this chapter [ON BEHALF OF THE MEMBERS] are exempt from garnishment,
19 execution or levy as provided in AS 09.38 (exemptions).

20 * Sec. 4. AS 14.25.220(10) is amended to read:

21 (10) "credited service" means

22 (A) all membership service as provided in (20) of this
23 section, territorial employment as defined in (41) of this sec-
24 tion, plus outside, military, and Alaska BIA service, with out-
25 side and military service limited to 10 years except under the
26 conditions set out in AS 14.25.100;

27 (B) for purposes of eligibility for benefits under
28 this chapter, service for which no indebtedness is owed;

29 * Sec. 5. AS 14.25.220(25) is amended to read:

1 (25) "outside service" means service for full years as
2 defined by (40)(A)(x) and (40)(B)(xi) of this section

3 (A) as a certificated full-time elementary or second-
4 ary teacher or a certificated person in a full-time position
5 requiring a teaching certificate as a condition of employment in
6 an out-of-state public school within the United States, or in a
7 school outside the United States supported by funds of the United
8 States;

9 (B) as a certificated full-time elementary or second-
10 ary teacher or a certificated person in a full-time position
11 requiring a teaching certificate as a condition of employment in
12 an approved or accredited nonpublic school within the United
13 States, or in a school outside the United States supported by
14 funds of the United States;

15 (C) in a full-time position requiring academic stand-
16 ing in an out-of-state institution of higher learning accredited
17 by a nationally recognized accrediting agency as listed in the
18 Education Directory - Colleges and Universities by the National
19 Center for Education Statistics;

20 (D) as a full-time teacher in an approved or accredit-
21 ed nonpublic institution of higher learning in Alaska;

22 * Sec. 6. AS 14.25.220(38) is amended to read:

23 (38) "teacher" or "member" means a person eligible to par-
24 ticipate in the system and who is covered by the system, limited to
25 [INCLUDING:]

26 (A) a certificated full-time or part-time elementary
27 or secondary teacher, a certificated school nurse, or a cer-
28 tificated person in a position requiring a teaching certificate
29 as a condition of employment in a public school of the state;

1 (B) the commissioner of education and all supervisory
2 positions in the Department of Education;

3 (C) a full-time or part-time teacher of the University
4 of Alaska or a person occupying a full-time administrative posi-
5 tion at the University of Alaska which requires academic stand-
6 ing; the approval of the administrator must be obtained before an
7 administrative position qualifies for membership in the system;

8 (D) a state legislator who elects membership under
9 AS 14.25.040(b);

10 * Sec. 7. AS 14.25.220(40) is repealed and reenacted to read:

11 (40) "year of service" means service, except for military
12 and territorial service, during the dates set for a school year; par-
13 tial-year service credit is given for membership and BIA service as
14 follows:

15 (A) before July 1, 1969, during any school year,
16 (i) less than 20 days, no credit;
17 (ii) 20 days or more but less than 35 days, 0.2
18 years;
19 (iii) 35 days or more but less than 49 days, 0.3
20 years;
21 (iv) 49 days or more but less than 63 days, 0.4
22 years;
23 (v) 63 days or more but less than 77 days, 0.5
24 years;
25 (vi) 77 days or more but less than 91 days, 0.6
26 years;
27 (vii) 91 days or more but less than 105 days, 0.7
28 years;
29 (viii) 105 days or more but less than 119 days, 0.8

1 years;
2 (ix) 119 days or more but less than 133 days, 0.9
3 years;
4 (x) 133 days or more, 1.0 years;
5 (B) on or after July 1, 1969, during any school year,
6 (i) less than nine days, no credit;
7 (ii) nine days or more but less than 27 days, 0.1
8 years;
9 (iii) 27 days or more but less than 45 days, 0.2
10 years;
11 (iv) 45 days or more but less than 63 days, 0.3
12 years;
13 (v) 63 days or more but less than 81 days, 0.4
14 years;
15 (vi) 81 days or more but less than 100 days, 0.5
16 years;
17 (vii) 100 days or more but less than 118 days, 0.6
18 years;
19 (viii) 118 days or more but less than 136 days, 0.7
20 years;
21 (ix) 136 days or more but less than 154 days, 0.8
22 years;
23 (x) 154 days or more but less than 172 days, 0.9
24 years;
25 (xi) 172 days or more, 1.0 years;
26 (C) service performed on a part-time basis will be
27 credited with one-half credit for each day of service;

28 * Sec. 8. AS 22.25.030(b) is amended to read:

29 (b) To be eligible for the survivors' benefits, the surviving

1 spouse must have been married to the justice or judge for at least one
2 year [TWO YEARS] immediately preceding the death of the justice or
3 judge. The benefits continue until the [REMARRIAGE OR] death of the
4 surviving spouse.

5 * Sec. 9. AS 22.25.030(c) is amended to read:

6 (c) If there is no surviving spouse, or if the surviving spouse
7 does not meet the requirements of (b) of this section, or upon the
8 [REMARRIAGE OR] death of the surviving spouse, the surviving dependent
9 child or children of the justice or judge are entitled to receive, in
10 equal shares, 50 percent of the amount of the survivors' benefits
11 specified under (a) of this section.

12 * Sec. 10. AS 22.25.048(a) is amended to read:

13 (a) The commissioner of administration shall establish [, AS A
14 SPECIAL ACCOUNT IN THE GENERAL FUND,] a fund for the judicial retire-
15 ment system and shall maintain accounts and records for the judicial
16 retirement system.

17 * Sec. 11. AS 26.05.224(d) is amended to read:

18 (d) Upon the death of an active member who has at least five
19 years service in the Alaska National Guard or Alaska Naval Militia or
20 a combination of these components, the member's designated beneficiary
21 is entitled to a lump sum benefit calculated in accordance with (b) of
22 this section. Upon the death of a former member who has at least 20
23 years service, the former member's designated beneficiary is entitled
24 to a lump sum benefit calculated in accordance with (b) of this sec-
25 tion less any retirement benefits previously paid. A member may
26 change or revoke the designation of a beneficiary without notice to
27 the beneficiary at any time. If a member designates more than one
28 beneficiary, each shall share equally unless the member specifies a
29 different allocation. The designation of a beneficiary and a change

1 or revocation of a beneficiary shall be made on a form provided by the
2 Department of Military and Veterans' Affairs and is not effective
3 until filed with the Department of Military and Veterans' Affairs. If
4 a member fails to designate a beneficiary or if no designated benefi-
5 ciary survives the member, the death benefit under this subsection
6 shall be paid to the

7 (1) surviving spouse; or, if there is none surviving,

8 (2) surviving children in equal parts; or, if there is none
9 surviving,

10 (3) surviving parents in equal parts; or, if there is none
11 surviving,

12 (4) member's estate.

13 * Sec. 12. AS 26.05.228(a) is amended to read:

14 (a) The commissioner of administration shall establish [, AS A
15 SPECIAL ACCOUNT IN THE GENERAL FUND,] a fund for the system and main-
16 tain accounts and records for the system.

17 * Sec. 13. AS 39.30.090 is amended by adding a new paragraph to read:

18 (11) A person receiving benefits under AS 14.25; AS 22.25;
19 AS 39.35; or former AS 39.37 may obtain long-term care insurance for
20 that person and eligible dependents under this section. A person who
21 elects insurance under this paragraph shall pay the cost of the insur-
22 ance premium. The commissioner of administration shall adopt regula-
23 tions to implement this paragraph.

24 * Sec. 14. AS 39.30.100(2) is amended to read:

25 (2) "governmental unit" means the state, a municipality,
26 school district [BOROUGH, MUNICIPAL CORPORATION], or other political
27 subdivision of the state, and the North Pacific Fishery Management
28 Council;

29 * Sec. 15. AS 39.35.160(a) is repealed and reenacted to read:

1 (a) Beginning January 1, 1987, each peace officer or fireman
2 shall contribute to the system an amount equal to seven and one-half
3 percent of the peace officer's or fireman's compensation. Beginning
4 January 1, 1987, each other employee shall contribute to the system an
5 amount equal to six and three-quarters percent of the employee's
6 compensation. The contributions shall be deducted by the employer at
7 the end of each payroll period. The contributions shall be deducted
8 from employee compensation before computation of applicable federal
9 taxes, and the contributions shall be treated as employer contribu-
10 tions under 26 U.S.C. 414(h)(2).

11 * Sec. 16. AS 39.35.340(a) is amended to read:

12 (a) A vested employee is entitled to credited service for active
13 military service in the armed forces of the United States, either by
14 enlistment or induction, if the employee received a discharge under
15 honorable conditions and is not entitled to receive retirement bene-
16 fits from the United States government for the same service [DID NOT
17 RECEIVE A DISHONORABLE DISCHARGE]. The credited service allowed may
18 not exceed an aggregate period of five years. Benefits are not pay-
19 able on credited service for military service unless the employee
20 makes retroactive contributions to the system for the period of time
21 that service credit is claimed. However, if the employee was in the
22 employ of an employer on the date of entry into the armed forces and
23 returned to the employ of an employer within 90 days after the date of
24 discharge from military service, the employee is not required to make
25 retroactive contributions under this system for the period of credited
26 service.

27 * Sec. 17. AS 39.35.340(b) is repealed and reenacted to read:

28 (b) In order to obtain credited service under this section, an
29 employee shall make an election to do so and shall verify the period

1 of military service. When eligibility for credited service for mili-
2 tary service has been established, an indebtedness shall be determined
3 as follows: (1) the employee's actual compensation, or the cal-
4 culated annual compensation for those employees working less than 12
5 months, during the calendar year 1976 or the year in which an employee
6 first becomes vested under this chapter, whichever is later, multi-
7 plied by (2) the number of years of military service credited under
8 this section and this product multiplied by (3) six percent for
9 members who are first eligible to claim this military service before
10 January 1, 1987, or eight and one-half percent for members who are
11 first eligible to claim this military service on or after January 1,
12 1987. Interest as prescribed by regulation accrues on this indebted-
13 ness beginning on July 1, 1977, or one year following the date a
14 person first becomes vested, whichever is later. Any outstanding
15 indebtedness that exists at the time a person is appointed to retire-
16 ment will necessitate an actuarial adjustment to the benefits payable
17 based upon that military service.

18 * Sec. 18. AS 39.35.340 is amended by adding a new subsection to read:

19 (i) Credited service under (a) of this section includes service
20 as a

21 (1) foreign service officer, a foreign service reserve
22 officer, or a limited foreign service reserve officer with the United
23 States Department of State in Vietnam, Cambodia, or Laos from
24 August 4, 1964, through November 7, 1975; and

25 (2) member of the United States Merchant Marine Service
26 from December 7, 1941, through September 30, 1945.

27 * Sec. 19. AS 39.35.360(h) is amended to read:

28 (h) An employee of the state is eligible to receive credited
29 service [AS PROVIDED] under AS 39.35.300(b) for service rendered as a

1 permanent part-time employee before January 1, 1976. [TO RECEIVE
2 RETROACTIVE CREDITED SERVICE UNDER THIS SUBSECTION, THE EMPLOYEE MUST
3 CLAIM THE SERVICE BEFORE JULY 1, 1981.] When the employee claims
4 retroactive credited service, an indebtedness of the employee to the
5 system shall be established. The amount of this indebtedness is equal
6 to the contributions the employee would have made if the employee had
7 been eligible for membership in the system. The rate used to calcu-
8 late the contributions may not be less than the rate in effect on
9 January 1, 1961. Interest as prescribed by regulation accrues on the
10 indebtedness beginning July 1, 1981 for employees claiming the service
11 before that date, and beginning July 1, 1980, for employees claiming
12 the service on or after July 1, 1981. Any outstanding indebtedness
13 that exists at the time the employee retires will require an actuarial
14 adjustment to the benefits that are based on retroactive credited
15 service under this subsection.

16 * Sec. 20. AS 39.35.360(i) is amended to read:

17 (i) An employee who completes three years of credited service
18 with an employer, for which the employee makes contributions required
19 by this chapter, is entitled to credited service on a year-for-year
20 basis for service credited in the Civil Service Retirement System,
21 rendered as an employee of an Alaska Bureau of Indian Affairs (BIA)
22 school, other than service as a teacher. Retroactive credited service
23 under this section must be claimed before the employee retires. When
24 eligibility for retroactive credited service under this section has
25 been established, an indebtedness of the employee to the system shall
26 be determined as follows: (1) [ESTABLISHED. THE AMOUNT OF THIS
27 INDEBTEDNESS IS DETERMINED BY MULTIPLYING SIX PERCENT OF] the employ-
28 ee's actual annual compensation, or the calculated annual compensation
29 for an employee who works fewer than 12 months, for the most recent

1 calendar year in which service is rendered to an employer before the
2 calendar year in which the employee first becomes eligible to claim
3 service under this subsection, multiplied by (2) the number of years
4 of service in Alaska BIA schools that is credited under this subsec-
5 tion, and this product multiplied by (3) six percent for employees
6 first eligible to claim this service before January 1, 1987, or eight
7 and one-half percent for employees first eligible to claim this ser-
8 vice on or after January 1, 1987. Interest as prescribed by regu-
9 lation accrues on the indebtedness beginning on the date the employee
10 may first claim the retroactive credited service. Any outstanding
11 indebtedness that exists at the time the employee retires requires an
12 actuarial adjustment to the benefits that are based on retroactive
13 credited service under this section. Service may not be claimed under
14 this subsection and benefits may not be paid for service claimed under
15 this subsection if the employee has, at any point in time, enough
16 service credit in the Civil Service Retirement System to be eligible
17 for a retirement benefit under that system.

18 * Sec. 21. AS 39.35.360 is amended by adding a new subsection to read:

19 (k) A peace officer or fireman employed by a municipality who is
20 a vested member is eligible to receive credited service for employment
21 after January 1, 1961, and before January 1, 1976, as a peace officer
22 or fireman in a municipality that is an employer under this system.
23 To receive retroactive credit, the member must claim the service
24 before July 1, 1988. When the member claims retroactive credited
25 service, an indebtedness of the member to the system shall be estab-
26 lished. The amount of this indebtedness is equal to the contributions
27 the peace officer or fireman would have made if the officer or fireman
28 had been eligible for membership in the system. Interest as estab-
29 lished by regulation accrues on the indebtedness beginning January 1,

1 1976. Any outstanding indebtedness that exists at the time the offi-
2 cer or fireman retires will require an actuarial adjustment to the
3 benefits that are based on retroactive credited service under this
4 subsection.

5 * Sec. 22. AS 39.35.370(a) is amended to read:

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

11 * Sec. 23. AS 39.35.370(b) is amended to read:

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

16 * Sec. 24. AS 39.35.370(c) is amended to read:

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

22 (1) two percent of the average monthly compensation times
23 all [THE] years of service before July 1, 1986, and for years of
24 service through a total of 10 years; plus

25 (2) two and one-quarter percent of the average monthly
26 compensation times all years of service after June 30, 1986, over 10
27 years of total service through 20 years; plus

28 (3) two and one-half percent of the average monthly compen-
29 sation times all years of service after June 30, 1986, over 20 years

1 of total service. [AN ACTUARIAL ADJUSTMENT MUST BE MADE FOR AN EARLY
2 RETIREMENT BENEFIT.]

3 * Sec. 25. AS 39.35.385(a) is amended to read:

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

8 * Sec. 26. AS 39.35.385(b) is amended to read:

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

13 * Sec. 27. AS 39.35.385(f) is amended to read:

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

18 * Sec. 28. AS 39.35.400(a) is amended to read:

19 (a) An employee is eligible for a nonoccupational disability
20 benefit [PENSION] if the employee's employment is terminated because
21 of a total and apparently permanent nonoccupational disability, as
22 defined in AS 39.35.680, before the employee's normal retirement date
23 and after five or more years of credited service.

24 * Sec. 29. AS 39.35.400(b) is repealed and reenacted to read:

25 (b) The nonoccupational disability benefits accrue beginning the
26 first day of the month following termination of employment as a result
27 of the disability and are payable the last day of the month. If a
28 final determination granting the benefit is not made in time to pay
29 the benefit when due, a retroactive payment shall be made to cover the

1 period of deferment. The last payment shall be for the first month in
2 which the disabled employee

3 (1) dies;

4 (2) recovers from disability;

5 (3) fails to meet the requirements under (e) of this sec-
6 tion or under AS 39.35.415; or

7 (4) reaches normal retirement age.

8 * Sec. 30. AS 39.35.400(c) is amended to read:

9 (c) If the disabled employee becomes ineligible to receive
10 nonoccupational disability benefits, the employee is entitled to
11 receive a normal or early retirement benefit [PENSION] if the employee
12 would have been eligible for the benefit [PENSION] had employment
13 continued during the period of disability. However, the period of
14 disability does not constitute credited service.

15 * Sec. 31. AS 39.35.400(d) is amended to read:

16 (d) The monthly amount of the nonoccupational disability benefit
17 [PENSION] shall be determined in accordance with AS 39.35.370(c),
18 considering the employee's credited service and compensation before
19 termination of employment.

20 * Sec. 32. AS 39.35.400(f) is amended to read:

21 (f) A disabled employee's nonoccupational disability benefit
22 [PENSION] terminates when the employee first attains eligibility for
23 normal retirement. At that time, retirement benefits will be calcu-
24 lated under [THE PROVISIONS OF] AS 39.35.370(c).

25 * Sec. 33. AS 39.35.410(a) is amended to read:

26 (a) An employee is eligible for an occupational disability
27 benefit [PENSION] if employment is terminated because of a total and
28 apparently permanent occupational disability, as defined in AS 39.35.-
29 680, before the employee's normal retirement date.

1 * Sec. 34. AS 39.35.410(b) is repealed and reenacted to read:

2 (b) The occupational disability benefits accrue beginning the
3 first day of the month following termination of employment as a result
4 of the disability and are payable the last day of the month. If a
5 final determination granting the benefit is not made in time to pay
6 the benefit when due, a retroactive payment shall be made to cover the
7 period of deferment. The last payment shall be for the first month in
8 which the disabled employee

9 (1) dies;

10 (2) recovers from disability;

11 (3) fails to meet the requirements under (g) of this sec-
12 tion or under AS 39.35.415; or

13 (4) reaches normal retirement age.

14 * Sec. 35. AS 39.35.410(c) is amended to read:

15 (c) If the disabled employee becomes ineligible to receive
16 occupational disability benefits before the normal retirement date,
17 the disabled employee shall then be entitled to receive an early
18 retirement benefit [PENSION] if the employee would have been eligible
19 for the benefit [PENSION] had employment continued during the period
20 of disability. The period of disability constitutes credited service.

21 * Sec. 36. AS 39.35.410(d) is amended to read:

22 (d) The monthly amount of an occupational disability benefit
23 [PENSION] is 40 percent of the disabled employee's gross monthly
24 compensation at the time of termination due to disability.

25 * Sec. 37. AS 39.35.410(f) is amended to read:

26 (f) An employee is not entitled to an occupational disability
27 benefit [PENSION] unless the employee files an application for it with
28 the administrator within six months after the date of the accident, if
29 disability is attributable to an accident, [OR] within six months

1 after the date the disability begins if the disability is caused by an
2 occupational disease, or within 30 days of the date of terminating
3 employment, whichever is later. If the disability is attributable to
4 an accident, the employee shall file a notice of the accident with the
5 administrator within 30 days following the date it occurred. This
6 30-day filing period is suspended for the time the employee's condi-
7 tion prevents filing. If the employee is unable to meet a filing
8 requirement of this subsection, it may be waived by the Public Employ-
9 ees' Retirement Board for cause.

10 * Sec. 38. AS 39.35.410(g) is repealed and reenacted to read:

11 (g) A disabled employee receiving an occupational disability
12 benefit shall undergo a medical examination as often as the adminis-
13 trator considers advisable but not more frequently than once each
14 year. The administrator shall determine the place of the examination
15 and engage the physician or physicians. If, in the judgment of the
16 administrator, the examination indicates that the retired employee is
17 no longer incapacitated because of a total and apparently permanent
18 occupational disability, the administrator may not issue further
19 disability benefits to the employee.

20 * Sec. 39. AS 39.35.410(h) is amended to read:

21 (h) A disabled employee's occupational disability benefit termi-
22 nates [PENSION SHALL TERMINATE] when the disabled employee first
23 attains eligibility for normal retirement. At that time, the employ-
24 ee's retirement benefit shall [WILL] be calculated under the provi-
25 sions of AS 39.35.370(c).

26 * Sec. 40. AS 39.35 is amended by adding a new section to read:

27 Sec. 39.35.415. REEMPLOYMENT OF DISABLED EMPLOYEES. An employee
28 appointed to disability benefits under AS 39.35.400 or 39.35.410 shall
29 apply to the division of vocational rehabilitation within 30 days of

1 the date disability benefits commence. The employee shall be enrolled
2 in a rehabilitation program if the employee meets the eligibility
3 requirements of the division of vocational rehabilitation. Unless the
4 employee demonstrates cause, benefits shall terminate at the end of
5 the first month in which a disabled employee

6 (1) fails to report to the division of vocational rehabili-
7 tation;

8 (2) is certified by the division of vocational rehabilita-
9 tion as failing to cooperate in a vocational rehabilitation program;

10 (3) fails to interview for a job; or

11 (4) fails to accept a position offered.

12 * Sec. 41. AS 39.35.475 is repealed and reenacted to read:

13 Sec. 39.35.475. POST-RETIREMENT PENSION ADJUSTMENT. (a) Once
14 each year the administrator shall increase benefit payments to eligi-
15 ble disabled members, to persons age 60 or older receiving benefits
16 under this system in the preceding calendar year, and to persons who
17 have received benefits under this system for at least five years who
18 are not otherwise eligible for an increase under this section.

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

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

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

1 recipients who are less than 60 years old on July 1 but who have
2 received benefits from the system for at least five years.

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

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

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

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

23 * Sec. 42. AS 39.35.480(a) is amended to read:

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

1 * Sec. 43. AS 39.35.520 is amended by adding a new subsection to read:

2 (d) The system shall pay interest on amounts owed to a member or
3 beneficiary. Interest shall be charged on amounts owed to the system
4 by a member or beneficiary if the amount owed is the result of errone-
5 ous information supplied by the member or beneficiary, or the member
6 or beneficiary had reasonable grounds to believe the amount of the
7 benefit was in error. The interest paid under this subsection is at
8 the rate established by regulation for indebtedness contributions
9 owed. Interest accrues from the date on which the correct payment was
10 due and continues until an actuarial adjustment to the benefit is
11 effective or the amount owed is paid. Accrued interest in amounts
12 less than the limit established in regulation for writing off small
13 indebtedness and refund balances may not be collected or paid under
14 this subsection.

15 * Sec. 44. AS 39.35.535 is amended to read:

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

- 19 (1) a person receiving a monthly benefit from the system;
20 (2) the spouse of a person receiving a monthly benefit from
21 the system;
22 (3) a natural or adopted child of a person receiving a
23 monthly benefit from the system, if the child is a dependent child
24 under AS 39.35.680(11).

25 (b) After an election of coverage under this section, major
26 [MAJOR] medical insurance coverage takes effect on the same date that
27 [AS RETIREMENT] benefits begin, and stops when the member [RETIRED
28 EMPLOYEE] or survivor is no longer eligible to receive a monthly
29 benefit. The coverage for persons age 65 or older is the same

1 coverage available for a person under 65. The benefits payable to
2 [THOSE] persons age 65 or older supplement any benefits provided under
3 the federal old age, survivors and disability insurance program.

4 * Sec. 45. AS 39.35.535 is amended by adding a new subsection to read:

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

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

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

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

15 * Sec. 46. AS 39.35 is amended by adding a new section to read:

16 Sec. 39.35.675. INCLUSION OF COST-OF-LIVING DIFFERENTIALS IN
17 COMPENSATION AND BENEFITS. (a) An employee shall make contributions
18 to the system based on compensation including a cost-of-living differ-
19 ential.

20 (b) The amount of a cost-of-living differential may not be in-
21 cluded in the employee's compensation for purposes of calculating
22 benefits paid under this chapter unless the employee has received a
23 cost-of-living differential in a comparable amount or of at least that
24 many steps for at least 50 percent of the employee's credited service.

25 (c) When an employee receives a benefit, and if the employee's
26 compensation for purposes of calculating the benefit does not include
27 a cost-of-living differential, then the administrator shall refund to
28 the employee the amount of contributions the employee made based on
29 the differential.

1 (d) In this section "cost-of-living differential" means an
2 adjustment to salary based on the cost of living in the geographic
3 region where the employee works and includes a pay step differential
4 under AS 39.27.020.

5 * Sec. 47. AS 39.35.680(4) is amended to read:

6 (4) "average monthly compensation" means the result ob-
7 tained by dividing the compensation earned by an employee during a
8 considered period by the number of months, including fractional mon-
9 ths, for which compensation was earned; the considered period consists
10 of the three consecutive payroll [CALENDAR] years during the period of
11 credited service that yields the highest average, or if the employee
12 does not have three consecutive payroll [CALENDAR] years, the employ-
13 ee's period of credited service; an employee must have at least 115
14 days of credited service in the last payroll [CALENDAR] year in order
15 for that year to be used as part of the three consecutive payroll
16 [CALENDAR] years;

17 * Sec. 48. AS 39.35.680(8) is amended to read:

18 (8) "compensation" means the total remuneration earned by
19 an employee for personal services rendered to an employer, including
20 cost-of-living differentials, payments for leave that is actually used
21 by the employee, the amount by which the employee's wages are reduced
22 under AS 39.30.150(c), and any amount deferred under an employer-
23 sponsored deferred compensation plan, but does not include retirement
24 benefits, severance pay or other separation bonuses, welfare benefits,
25 per diem, expense allowances, workers' compensation payments or pay-
26 ments for leave not used by the employee whether those leave payments
27 are scheduled payments, lump-sum payments, donations, or cash-ins;

28 * Sec. 49. AS 39.35.680(8) is repealed and reenacted to read:

29 (8) "compensation" means the total remuneration earned by

1 an employee for personal services rendered to an employer, including
2 employee contributions under AS 39.35.160, cost-of-living differen-
3 tials only as provided in AS 39.35.675, payments for leave that is
4 actually used by the employee, the amount by which the employee's
5 wages are reduced under AS 39.30.150(c), and any amount deferred under
6 an employer-sponsored deferred compensation plan, but does not include
7 retirement benefits, severance pay or other separation bonuses, wel-
8 fare benefits, per diem, expense allowances, workers' compensation
9 payments or payments for leave not used by the employee whether those
10 leave payments are scheduled payments, lump-sum payments, donations,
11 or cash-ins;

12 * Sec. 50. AS 39.35.680(13) is amended to read:

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

17 * Sec. 51. AS 39.35.680(23) is amended to read:

18 (23) "nonoccupational disability" means a physical or mental
19 condition that, in the judgment of the administrator, presumably
20 permanently prevents an employee from satisfactorily performing the
21 employee's usual duties for an employer or the duties of another
22 position or job that an [THE] employer makes available and for which
23 the employee is qualified by training or education, not including a
24 condition resulting from a cause that the board, in its regulations
25 has excluded;

26 * Sec. 52. AS 39.35.680(26) is amended to read:

27 (26) "occupational disability" means a physical or mental
28 condition that, in the judgment of the administrator, presumably
29 permanently prevents an employee from satisfactorily performing the

1 employee's usual duties for an employer or the duties of another
2 comparable position or job that an employer makes available and for
3 which the employee is qualified by training or education; however, the
4 proximate cause of the condition must be a bodily injury sustained, or
5 a hazard undergone, while in the performance and within the scope of
6 the employee's duties and not the proximate result of the wilful
7 negligence of the employee;

8 * Sec. 53. AS 39.35.680 is amended by adding a new paragraph to read:

9 (40) "payroll year" means the period that includes the first
10 pay period ending in January of a year through the last pay period
11 ending in December of that year.

12 * Sec. 54. The benefits payable under sec. 1, ch. 102, SLA 1951, as
13 increased by ch. 85, SLA 1970, ch. 134, SLA 1975, and sec. 43, ch. 146, SLA
14 1980, are further increased by \$100 per month for each recipient.

15 * Sec. 55. Notwithstanding AS 39.35.340(b) or (e), interest does not
16 accrue on service claimed under AS 39.35.340(i), enacted by sec. 18 of this
17 Act, until one year following the effective date of this Act or one year
18 following the date on which a person first becomes vested, whichever is
19 later.

20 * Sec. 56. Retired employees, deferred vested employees, and surviving
21 spouses on the effective date of this Act are entitled to claim credited
22 service or increased benefits for service claimed under sec. 18 of this Act
23 in accordance with AS 39.35.340(c), (e), and (g).

24 * Sec. 57. Sections 16, 22 - 23, 25 - 27, 42 - 45, and 50 of this Act
25 apply only to members first hired under the Public Employees' Retirement
26 System after June 30, 1986. Changes in the Public Employees' Retirement
27 System enacted in this Act that require a reduction in benefits to members
28 of the retirement system apply only to members who are first hired under
29 the retirement system after June 30, 1986. Other sections of this Act

1 apply to all members of the Public Employees' Retirement System, regardless
2 of the date of hire.

3 * Sec. 58. The amendments made by secs. 46 and 49 of this Act apply
4 only to members first hired under the Public Employees' Retirement System
5 after December 31, 1986.

6 * Sec. 59. Sections 28 - 39 of this Act are retroactive to July 1,
7 1976.

8 * Sec. 60. Sections 1 - 14, 16, 18, 19, 21 - 27, 40 - 45, 47, 48, 50 -
9 53, and 55 - 57 of this Act take effect July 1, 1986.

10 * Sec. 61. Sections 15, 17, 20, 46, 49 and 58 of this Act take effect
11 January 1, 1987.

12 * Sec. 62. Sections 28 - 39, 54 and 59 of this Act take effect immedi-
13 ately in accordance with AS 01.10.070(c).