

Offered: 3/22/90  
Referred: State Affairs and Finance

6-0181D

Original sponsor(s): SEN. DUNCAN, Zharoff, Kerttula, Sturgulewski, Kelly

1 IN THE SENATE BY THE HESS COMMITTEE

2 CS FOR SENATE BILL NO. 53 (HESS)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the teachers' retirement system;  
7 and providing for an effective date."

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

9 \* Section 1. AS 14.25.050(a) is amended to read:

10 (a) Beginning January 1, 1991 [JULY 1, 1970], each teacher shall  
11 contribute to the system an amount equal to 8.65 [SEVEN] percent of  
12 the teacher's base salary accrued from July 1 to the following  
13 June 30. The employer shall deduct the contribution from the teach-  
14 er's salary at the end of each payroll period. The contributions  
15 shall be deducted from employee compensation before the computation of  
16 applicable federal taxes and shall be treated as employer contribu-  
17 tions under 26 U.S.C. 414(h)(2).

18 \* Sec. 2. AS 14.25.060(a) is amended to read:

19 (a) If a member first joined the service before July 1, 1990,  
20 and has military service or Alaska Bureau of Indian Affairs (BIA)  
21 service, or if a member joined the system before July 1, 1978, and has  
22 creditable outside service, the member is indebted to the system as  
23 follows:

24 (1) At the time of first becoming a member of the system,  
25 the arrearage indebtedness is seven percent of the base salary multi-  
26 plied by the total number of years of creditable outside, military,  
27 and Alaska BIA service. The administrator shall add compound interest  
28 at the rate prescribed by regulation to the arrearage indebtedness  
29 beginning July 1, 1963, or at the time the member first becomes

1 eligible to claim the service, whichever is later, to the date of  
2 payment or the date of retirement, whichever occurs first.

3 (2) If a member terminates from the system and is subse-  
4 quently reemployed as a member, the arrearage indebtedness to the  
5 system for outside, military, or Alaska BIA service accumulated in the  
6 interim is seven percent of the base salary upon reentering membership  
7 service, multiplied by the number of years of interim outside, mili-  
8 tary, and Alaska BIA service. Compound interest at the rate pre-  
9 scribed by regulation shall be added to the arrearage indebtedness  
10 beginning July 1, 1963, or the date of reemployment as a member,  
11 whichever is later, to the date of payment or the date of retirement,  
12 whichever occurs first.

13 \* Sec. 3. AS 14.25.060 is amended by adding a new subsection to read:

14 (d) If a member first joined the system on or after July 1,  
15 1990, and has military service or Alaska BIA service, the member's  
16 indebtedness shall be determined under (a) of this section except that  
17 the percentage multiplier is 8.65 percent.

18 \* Sec. 4. AS 14.25.100(a) is amended to read:

19 (a) A member who served as an active member of the armed forces  
20 of the United States may receive credited service under this system up  
21 to a maximum of five years if the member received a discharge under  
22 honorable conditions and is not entitled to receive retirement bene-  
23 fits from the United States government for the same service. Each 12  
24 months of military service equals one school year, and lesser military  
25 periods will be determined for credit purposes in a proportionate  
26 ratio to a year. [TO RECEIVE CREDITED SERVICE UNDER THIS SECTION, THE  
27 MEMBER MUST HAVE RECEIVED A DISCHARGE OTHER THAN DISHONORABLE.]  
28 Credit for service in the armed forces shall be granted only if the  
29 member makes contributions for the service in the same manner as

1 required for outside service under AS 14.25.060. The military service  
2 credited under this section shall be included in the 10-year limita-  
3 tion of outside service as specified in AS 14.25.060, except if entry  
4 into the armed forces is immediately preceded by Alaska membership  
5 service and following discharge is continued by Alaska membership  
6 service within one year thereafter, service may not be counted for  
7 purposes of determining the applicability of the 10-year limitation on  
8 outside service.

9 \* Sec. 5. AS 14.25.110(a) is amended to read:

10 (a) Subject to AS 14.25.167, a member is eligible for a normal  
11 retirement benefit if the member

12 (1) was first hired before July 1, 1975, has attained the  
13 age of 55 years, and has at least 15 years of credited service, the  
14 last five of which have been membership service;

15 (2) has attained the age of 60 [55] years and has at least  
16 eight years of membership service;

17 (3) has attained the age of 60 [55] years, has at least  
18 five years of membership service, and has at least three years of  
19 Alaska BIA service;

20 (4) has at least 25 years of credited service, the last  
21 five of which have been membership service;

22 (5) has at least 20 years of membership service;

23 (6) has at least 20 years of combined membership service  
24 and Alaska BIA service, the last five of which have been membership  
25 service; or

26 (7) has at least one-half year of membership service as a  
27 part-time teacher for each of 20 school years.

28 \* Sec. 6. AS 14.25.110(b) is amended to read:

29 (b) Subject to AS 14.25.167, a member is eligible for an early

1 retirement benefit upon completing [ANY ONE OF] the service require-  
2 ments in (a)(1) [, (2), OR (3)] of this section and attaining the age  
3 of 50 years or upon completing the service requirements in (a)(2) or  
4 (3) of this section and attaining the age of 55 years.

5 \* Sec. 7. AS 14.25.110(d) is amended to read:

6 (d) The monthly amount of a retirement benefit for a member who  
7 has paid the full amount of any indebtedness is one-twelfth [TWO  
8 PERCENT] of the member's average base salary during any three school  
9 years of membership service multiplied by

10 (1) two percent of [TIMES] the years of credited service  
11 earned before June 30, 1990, including credited fractional years, and  
12 the years of credited service through a total of 20 years; plus

13 (2) two and one-half percent of the years of credited  
14 service earned after June 30, 1990, that are more than 20 years of  
15 total credited service [DIVIDED BY 12. AN ACTUARIAL ADJUSTMENT MUST  
16 BE MADE FOR EARLY RETIREMENT].

17 \* Sec. 8. AS 14.25.110 is amended by adding a new subsection to read:

18 (j) An actuarial adjustment must be made to benefits payable  
19 under (d) of this section for early retirement.

20 \* Sec. 9. AS 14.25.125(a) is amended to read:

21 (a) Subject to AS 14.25.167, a member is eligible for a normal  
22 retirement salary at age 60 [55] with at least two years membership  
23 service if the member also is eligible for a normal retirement benefit  
24 under the public employees' retirement system (AS 39.35).

25 \* Sec. 10. AS 14.25.125(b) is amended to read:

26 (b) Subject to AS 14.25.167, a member is eligible for an early  
27 retirement salary at age 55 [50] with at least two years of membership  
28 service if the member also is eligible for an early retirement benefit  
29 under the public employees' retirement system (AS 39.35).

1 \* Sec. 11. AS 14.25.142(a) is amended to read:

2 (a) While residing in the state, a person receiving a benefit  
3 under this chapter who is at least 65 years of age or who is receiving  
4 a disability benefit under this chapter is entitled to receive a  
5 monthly cost-of-living [COST OF LIVING] allowance in addition to the  
6 basic benefit. The amount of this allowance is 10 percent of the  
7 basic benefit.

8 \* Sec. 12. AS 14.25.143 is repealed and reenacted to read:

9 Sec. 14.25.143. POST RETIREMENT PENSION ADJUSTMENT. (a) Once  
10 each year, the administrator shall increase benefit payments to eligi-  
11 ble disabled members, to persons age 60 or older receiving benefits  
12 under this system in the preceding calendar year, and to persons who  
13 have received benefits under this system for at least eight years who  
14 are not otherwise eligible for an increase under this section.

15 (b) The increase in benefit payments applies to total benefit  
16 payments except for the cost-of-living allowance under AS 14.25.142.  
17 The amount of the increase is a percentage of the current benefit  
18 equal to

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

23 (2) the lesser of 50 percent of the increase in the cost of  
24 living in the preceding calendar year or six percent, for recipients  
25 who on July 1 are at least 60 but less than 65 years old or for recip-  
26 ients who on July 1 are less than 60 years old but who have received  
27 benefits from the system for at least eight years.

28 (c) If a recipient was not receiving benefits during the entire  
29 preceding calendar year, the increase in benefits under this section

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

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

10 (e) When computing a death benefit under AS 14.25.155, 14.25.-  
11 157, or 14.25.160 or a survivor's benefit under AS 14.25.162, 14.25.-  
12 164, or 14.25.167, adjustments granted to the deceased member or  
13 survivor under this section shall be included in the computation.

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

19 \* Sec. 13. AS 14.25.168(a) is amended to read:

20 (a) Except as provided in (c) of this section, the following  
21 persons are entitled to major medical insurance coverage if a benefit  
22 recipient elects coverage under this section:

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

24 (2) the spouse of a person receiving a monthly benefit from  
25 the system;

26 (3) a natural or adopted child of a person receiving a  
27 monthly benefit, if the child is a dependent child as defined in  
28 AS 14.25.220.

29 \* Sec. 14. AS 14.25.168(b) is amended to read:

1 (b) After an election of coverage under [EXCEPT AS PROVIDED IN  
2 (c) OF] this section, major medical insurance coverage takes effect on  
3 the same date as retirement benefits begin and stops when the member  
4 [RETIRED PERSON] or survivor is no longer eligible to receive a month-  
5 ly benefit. The coverage for persons [OVER] age 65 or older is the  
6 same as that available for persons under age 65. The benefits payable  
7 to those persons age 65 or older supplement any benefits provided  
8 under the federal old age, survivors and disability insurance program.

9 \* Sec. 15. AS 14.25.168 is amended by adding a new subsection to read:

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

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

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

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

20 \* Sec. 16. APPLICABILITY. This Act, other than secs. 1, 7, 8, and 12,  
21 applies only to members first hired under the teachers' retirement system  
22 on or after July 1, 1990. Changes in the teachers' retirement system  
23 enacted in this Act that require a reduction in benefits to members of the  
24 retirement system apply only to members who are first hired under the  
25 retirement system after June 30, 1990. Sections 1, 7, 8, and 12 of this  
26 Act apply to all members of the teachers' retirement system regardless of  
27 the date of hire.

28 \* Sec. 17. This Act takes effect July 1, 1990.