

Amended: 5/4/90
Offered: 4/20/90
Referred: Finance

6-0181M

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

1 IN THE SENATE BY THE HESS COMMITTEE
2 HOUSE CS FOR CS FOR SENATE BILL NO. 53 (HESS) am H
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 other than dishonorable conditions and is not entitled to receive
23 retirement benefits from the United States government for the same
24 service. Each 12 months of military service equals one school year,
25 and lesser military periods will be determined for credit purposes in
26 a proportionate ratio to a year. [TO RECEIVE CREDITED SERVICE UNDER
27 THIS SECTION, THE MEMBER MUST HAVE RECEIVED A DISCHARGE OTHER THAN
28 DISHONORABLE.] Credit for service in the armed forces shall be grant-
29 ed only if the member makes contributions for the service in the same

1 manner as required for outside service under AS 14.25.060. The mili-
2 tary service credited under this section shall be included in the
3 10-year limitation of outside service as specified in AS 14.25.060,
4 except if entry into the armed forces is immediately preceded by
5 Alaska membership service and following discharge is continued by
6 Alaska membership service within one year thereafter, service may not
7 be counted for purposes of determining the applicability of the 10-
8 year limitation on 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. AS 14.25.220(42) is amended to read:

21 (42) "vested member" or "vested teacher" means an active
22 member who has completed either

23 (A) 15 years of service, the last five of which have
24 been membership service, for a member first hired before July 1,
25 1975; [OR]

26 (B) eight years of membership service; [OR]

27 (C) five years of membership and three years of BIA
28 service; or

29 (D) 12 school years of part-time membership service or

1 12 school years in each of which the member earned either
2 part-time or full-time membership service;

3 * Sec. 17. APPLICABILITY. This Act, other than secs. 1, 7, 8, 12, and
4 16 applies only to members first hired under the teachers' retirement
5 system on or after July 1, 1990. Changes in the teachers' retirement
6 system enacted in this Act that require a reduction in benefits to members
7 of the retirement system apply only to members who are first hired under
8 the retirement system after June 30, 1990. Sections 1, 7, 8, 12, and 16 of
9 this Act apply to all members of the teachers' retirement system regardless
10 of the date of hire.

11 * Sec. 18. This Act takes effect July 1, 1990.