

**COMMITTEE REPORT**  
**SENATE**

FURTHER:

4/19/85

Date \_\_\_\_\_

Mr. President

The Committee on FINANCE considered SB 121

making miscellaneous amendments to the retirement statutes.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for \_\_\_\_\_
- new title
- same title and recommends \_\_\_\_\_
- and attached a "LETTER OF INTENT"  NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS

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\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Chairman recommendation

COMMITTEE REPORT  
SENATE

FURTHER:

FINANCE

2/1/85

Date April 18, 1985

Mr. President

The Committee on STATE AFFAIRS considered SB 121  
making miscellaneous amendments to the retirement statutes.

and (a majority of the committee) (the committee) reports it back with  
the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for SB 121(SA)  
new title
- same title and recommends \_\_\_\_\_
- and attached a "LETTER OF INTENT" ~~EX NEW FISCAL NOTE~~ NO
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

Tim Kelly  
Bill Ray  
W. S. ...  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

MEMBERS HAVING  
OTHER RECOMMENDATIONS

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Edna ...  
 Chairman Acting  
Do Pass  
 Chairman recommendation

Offered: 4/19/85  
Referred: Finance

Original sponsor: Rules/Governor

1 IN THE SENATE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR SENATE BILL NO. 121 (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 making miscellaneous amendments to the re-  
7 tirement statutes without fiscal impact."

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. Compound interest at the rate prescribed by regu-  
14 lation must [SHALL] be added to the arrearage indebtedness beginning  
15 July 1, 1963, or at the time of first becoming eligible to claim the  
16 service [EMPLOYED AS A MEMBER], whichever is later, to the date of  
17 payment or the date of retirement, whichever occurs first.

18 \* Sec. 2. AS 14.25.220(10) is amended to read:

19 (10) "credited service" means

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

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

27 \* Sec. 3. AS 14.25.220(25) is amended to read:

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

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

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

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

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

20 \* Sec. 4. AS 14.25.220(38) is amended to read:

21 (38) "teacher or member" means a person eligible to partici-  
22 pate in the system and who is covered by the system, limited to [IN-  
23 CLUDING:]

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

28 (B) the commissioner of education and all supervisory  
29 positions in the Department of Education;

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

6 (D) a state legislator who elects membership under  
7 AS 14.25.040(b);

8 \* Sec. 5. AS 14.25.220(40) is repealed and reenacted to read:

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

13 (A) before July 1, 1969, during any school year,

14 (i) less than 20 days, no credit;

15 (ii) 20 days or more but less than 35 days, 0.2  
16 years;

17 (iii) 35 days or more but less than 49 days, 0.3  
18 years;

19 (iv) 49 days or more but less than 63 days, 0.4  
20 years;

21 (v) 63 days or more but less than 77 days, 0.5  
22 years;

23 (vi) 77 days or more but less than 91 days, 0.6  
24 years;

25 (vii) 91 days or more but less than 105 days, 0.7  
26 years;

27 (viii) 105 days or more but less than 119 days, 0.8  
28 years;

29 (ix) 119 days or more but less than 133 days, 0.9

1 years;

2 (x) 133 days or more, 1.0 years;

3 (B) on or after July 1, 1969, during any school year,

4 (i) less than nine days, no credit;

5 (ii) nine days or more but less than 27 days, 0.1

6 years;

7 (iii) 27 days or more but less than 45 days, 0.2

8 years;

9 (iv) 45 days or more but less than 63 days, 0.3

10 years;

11 (v) 63 days or more but less than 81 days, 0.4

12 years;

13 (vi) 81 days or more but less than 100 days, 0.5

14 years;

15 (vii) 100 days or more but less than 118 days, 0.6

16 years;

17 (viii) 118 days or more but less than 136 days, 0.7

18 years;

19 (ix) 136 days or more but less than 154 days, 0.8

20 years;

21 (x) 154 days or more but less than 172 days, 0.9

22 years;

23 (xi) 172 days or more, 1.0 years;

24 (C) service performed on a part-time basis will be  
25 credited with one-half credit for each day of service.

26 \* Sec. 6. AS 22.25.048(a) is amended to read:

27 (a) The commissioner of administration shall establish [, AS A  
28 SPECIAL ACCOUNT IN THE GENERAL FUND,] a fund for the judicial retire-  
29 ment system and shall maintain accounts and records for the judicial

1 retirement system.

2 \* Sec. 7. AS 26.05.228(a) is amended to read:

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

6 \* Sec. 8. AS 39.30.100(2) is amended to read:

7 (2) "governmental unit" means the state, a borough, school  
8 district, municipal corporation, or other political subdivision of the  
9 state, and the North Pacific Fishery Management Council;

10 \* Sec. 9. AS 39.35.680(4) is amended to read:

11 (4) "average monthly compensation" means the result ob-  
12 tained by dividing the compensation earned by an employee during a  
13 considered period by the number of months, including fractional  
14 months, for which compensation was earned; the considered period  
15 consists of the three consecutive payroll [CALENDAR] years during the  
16 period of credited service that yields the highest average, or if the  
17 employee does not have three consecutive payroll [CALENDAR] years, the  
18 employee's period of credited service; an employee must have at least  
19 115 days of credited service in the last payroll [CALENDAR] year in  
20 order to be used as part of the three consecutive payroll [CALENDAR]  
21 years;

22 \* Sec. 10. AS 39.35.680(8) is amended to read:

23 (8) "compensation" means the total remuneration earned by  
24 an employee for personal services rendered to an employer, including  
25 cost-of-living differentials, payments for leave that is actually used  
26 by the employee, the amount by which the employee's wages are reduced  
27 under AS 39.30.150(c), and any amount deferred under an employer-  
28 sponsored deferred compensation plan, but does not include retirement  
29 benefits, severance pay or other separation bonuses, welfare benefits,

1 per diem, expense allowances, workers' compensation payments or pay-  
2 ments for leave not used by the employee whether those leave payments  
3 are scheduled payments, lump-sum payments, donations, or cash-ins;

4 \* Sec. 11. AS 39.35.680 is amended by adding a new paragraph to read:

5 (40) "payroll year" means the period that includes the first  
6 pay period ending in January of a year through the last pay period  
7 ending in December of that year.

Introduced: 2/1/85  
Referred: State Affairs  
and Finance

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

1 IN THE SENATE

2 SENATE BILL NO. 121

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making miscellaneous amendments to the re-  
7 tirement statutes."

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14 lation must [SHALL] be added to the arrearage indebtedness beginning  
15 July 1, 1963, or at the time of first becoming eligible to claim the  
16 service [EMPLOYED AS A MEMBER], whichever is later, to the date of  
17 payment or the date of retirement, whichever occurs first.

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22 tion, plus outside, military, and Alaska BIA service, with out-  
23 side and military service limited to 10 years except under the  
24 conditions set out in AS 14.25.100;

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

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

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2 dary teacher or a certificated person in a full-time position  
3 requiring a teaching certificate as a condition of employment in  
4 an out-of-state public school within the United States, or in a  
5 school outside the United States supported by funds of the United  
6 States;

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

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

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19 ed nonpublic institution of higher learning in Alaska;

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21 (38) "teacher or member" means a person eligible to partici-  
22 pate in the system and who is covered by the system, limited to [IN-  
23 CLUDING:]

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

28 (B) the commissioner of education and all supervisory  
29 positions in the Department of Education;

1 (C) a full-time or part-time teacher of the University  
2 of Alaska or a person occupying a full-time administrative posi-  
3 tion at the University of Alaska which requires academic stand-  
4 ing; the approval of the administrator must be obtained before an  
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2 \* Sec. 7. AS 26.05.228(a) is amended to read:

3 (a) The commissioner of administration shall establish[, AS A  
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5 tain accounts and records for the system.

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8 district, municipal corporation, or other political subdivision of the  
9 state, and the North Pacific Fishery Management Council;

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11 (4) "average monthly compensation" means the result ob-  
12 tained by dividing the compensation earned by an employee during a  
13 considered period by the number of months, including fractional  
14 months, for which compensation was earned; the considered period  
15 consists of the three consecutive payroll [CALENDAR] years during the  
16 period of credited service that yields the highest average, or if the  
17 employee does not have three consecutive payroll [CALENDAR] years, the  
18 employee's period of credited service; an employee must have at least  
19 115 days of credited service in the last payroll [CALENDAR] year in  
20 order to be used as part of the three consecutive payroll [CALENDAR]  
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23 (8) "compensation" means the total remuneration earned by  
24 an employee for personal services rendered to an employer, including  
25 cost-of-living differentials, payments for leave that is actually used  
26 by the employee, the amount by which the employee's wages are reduced  
27 under AS 39.30.150(c), and any amount deferred under an employer-  
28 sponsored deferred compensation plan, but does not include retirement  
29 benefits, severance pay or other separation bonuses, welfare benefits,

1 per diem, expense allowances, workers' compensation payments or pay-  
2 ments for leave not used by the employee whether those leave payments  
3 are scheduled payments, lump-sum payments, donations, or cash-ins;

4 \* Sec. 11. AS 39.35.680 is amended by adding a new paragraph to read:

5 (40) "payroll year" means the period that includes the first  
6 pay period ending in January of a year through the last pay period  
7 ending in December of that year.  
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STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_  
Page 1 of 2

**REQUEST**

Bill/Resolution No.: SB121  
 Title: An act making miscellaneous amendments to the retirement statutes  
 Sponsor: Governor  
 Requestor: \_\_\_\_\_  
 Date of Request: \_\_\_\_\_

**FISCAL DETAIL**

Agency Affected: Administration  
 Program Category Affected: Labor Services  
 BRU, Program or Subprogram(s) Affected: Division of Retirement & Benefits

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES		5.0				
200 TRAVEL						
300 CONTRACTUAL		5.0				
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>		10.0	0	0	0	0
<b>CAPITAL</b>						
<b>REVENUE</b>						

**FUNDING: (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER		10.0				
<b>TOTAL</b>		10.0				

**POSITIONS:**

	0	0	0	0	0
FULL-TIME					
PART-TIME					
TEMPORARY					

**ANALYSIS:** (Attach a separate page if necessary)

Prepared By: R. F. Stalnaker, Deputy Director Phone: 465-4460  
 Division: Retirement & Benefits Date: 12/27/84

Approved by Commissioner: Lisa Rudd Date: 1/28/85  
 Agency: Department of Administration

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

0121

Fiscal Note Analysis  
Prepared by Division of Retirement & Benefits  
Department of Administration  
December 28, 1984

ANALYSIS:

This bill would make non-substantive technical amendments to the Public Employees Retirement System, Teachers Retirement System, National Guard Retirement System, and Judicial Retirement System. These amendments will aid in clarifying the statutes.

It is anticipated that \$5.0 will be needed in personal services to review files and determine whether correct indebtedness interest dates have been used and whether all service has been properly credited. These technical amendments may require an additional \$5.0 to make minor enhancements to the data processing systems.

BILL SHEFFIELD  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

du 121

February 1, 1985

The Honorable Don Bennett  
President of the Senate  
Alaska State Legislature  
Pouch V  
Juneau, AK 99811

Dear Senator Bennett:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill making miscellaneous amendments to the retirement statutes. This bill clarifies certain provisions in the retirement statutes; it also codifies policies and practices adopted by the Department of Administration or the retirement boards in implementing those statutes.

Section 1 of the bill clarifies the initiation date for charging interest on arrearage indebtedness for creditable outside, military, and BIA service. This provides for equitable and sound administration, and it conforms to the intent of the statute and the department's current practices.

Section 2 of the bill amends the definition of "credited service" in AS 14.25.220(10). The amendment clarifies that, for purposes of determining whether a person is eligible for benefits (i.e., has served for enough years to have a vested interest in a benefit), only paid-up years are credited. This is also consistent with Teachers' Retirement Board regulation no. 82-1.

Section 3 of the bill amends the definition of "outside service" in AS 14.25.220(25) to clarify that only full years of outside service may be claimed as credited service. This is consistent with the intent of the original legislation and is necessary now because of subsequent changes allowing partial credit for membership and Alaska BIA service.

Section 4 of the bill amends the definition of "teacher or member" in AS 14.25.220(38). The amendment of that section clarifies that only persons described are included in the definition.

Consistent with sec. 3 of the bill, sec. 5 of the bill repeals and reenacts the definition of "year of service" in AS 14.25.220(40) to clarify that partial-year service credit is given only for membership and BIA service. This amendment does not affect years of service or partial-year credit available for service in the armed forces under AS 14.25.100, or for territorial service under Teachers' Retirement Board regulation no. 80-15.

Section 6 of the bill amends AS 22.25.048 to provide that the fund for the judicial retirement system is established as a separate fund, rather than as a special account in the general fund. The department considers this to constitute a sounder funding practice for a pension plan, providing for greater security for the fund and for more accurate crediting of investment income back into the fund. For the same reasons, sec. 7 of the bill amends AS 26.05.228(a) to provide that the fund for the Alaska National Guard retirement system is established as a separate fund, rather than as a special account in the general fund. These changes do not offend the "dedicated fund" prohibition in art. IX, sec. 7, of the Alaska Constitution because the money in these pension funds is money that the state is holding in trust for the numerous individual employees. In other words, it is money that "belongs" to the employees, not the state.

The definition of "governmental unit" for purposes of determining eligibility to participate in the state's group health and life benefits fund is amended in sec. 8 of the bill to expressly include school districts. This is to clarify that a school district is treated as a distinct governmental unit of the state and is allowed to participate in the State's Group Health and Life Plan.

Section 9 amends AS 39.35.680(4) to substitute "payroll" years for "calendar" years for purposes of determining an employee's average monthly compensation for computation of the amount of the retirement benefit. This change was made necessary by the fact that a number of employers who participate in the public employees' retirement system use pay periods that do not exactly coincide with the calendar year.

2/12

AS 39.35.680(8) is amended in sec. 10 of the bill to provide that severance pay and other separation bonuses are not included in the definition of "compensation." Exclusion of severance pay, like the exclusion of payments for unused leave which is already set out in the definition, prevents a retiree's benefit from being unduly increased by a windfall separation payment that does not reflect the retiree's actual average monthly compensation.

Section 11 amends AS 39.35.680 to add a definition of "payroll year," which is used in the amendment in sec. 9 of this bill.

Sincerely,



Bill Sheffield  
Governor

ALASKA STATE LEGISLATURE

14th Legislature FIRST Session

SENATE BILL NO. 121...

By THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

"An Act making miscellaneous amendments to the retirement statutes."

Introduced in the Senate 2/1, 1985

HISTORY IN THE SENATE

1985 Read first time and referred to Committee on

2 1 State Affairs and Finance  
 Reported back with *J.A.* recommendation that *replace w/ new title, & do pass, the fin. bill.*

Read second time and

Read third time and

PASS Effective Date  
 Yeas Yeas  
 Nays Nays  
 Absent Absent  
 Excused Excused

Reconsideration

PASS Effective Date  
 Yeas Yeas  
 Nays Nays  
 Absent Absent  
 Excused Excused

Reported correctly engrossed  
 Signed by President  
 Sent to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19 Read first time and referred to Committee on

Reported back with recommendation that

Read second time and

Read third time and

PASS Effective Date  
 Yeas Yeas  
 Nays Nays  
 Absent Absent  
 Excused Excused

Reconsideration

PASS Effective Date  
 Yeas Yeas  
 Nays Nays  
 Absent Absent  
 Excused Excused

Reported correctly engrossed  
 Signed by Speaker  
 Returned to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19 Received from House

To enrolling

Reported correctly enrolled

Sent to Governor

..... by Governor

Filed with Lt. Governor

Chapter No. ....

His letter attached  
Final Note Senate Supp #11

# Alaska State Legislature

CO-CHAIRMAN  
FINANCE COMMITTEE  
907-465-3740



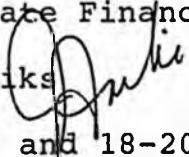
JAN FAIKS  
POUCH V  
CAPITOL BUILDING  
JUNEAU, ALASKA 99811

Senate

May 9, 1985

## MEMORANDUM

TO: Members of Senate Finance Committee

FROM: Senator Jan Faiks 

SUBJECT: Sections 10-12 and 18-20 of CS for Senate Bill 121  
(Finance)

Under current law, a state employee who has been disabled while performing his job can receive disability benefits for the first year if his injury prevents him from satisfactorily performing his usual duties. However, for benefits beyond the first year, the employee will qualify only if his injuries prevent him from performing any work.

This restrictive criterion is the result of a 1976 amendment to our laws. The 1976 change substituted the stricter disability criteria of the federal Social Security Act for state law criteria which looked only to his ability to perform duties similar to his former job. In essence, then, a state employee who is disabled on the job cannot receive benefits beyond the first year if he is capable of performing any work, regardless of how overqualified or underpaid he may be for that work.

Sections 10 through 12 and 18 through 20 will correct this inconsistency by returning the benefit qualifications back to how they were before the 1976 amendment. The sections will also allow those employees who were disqualified by the Social Security criteria to receive benefits from that year to the present.

Specifically, Section 10 makes grammatical improvements to the statute which deals with the eligibility for occupational disability benefits. It deletes the language -- "totally and apparently permanent" -- because occupational disability is adequately defined in section 680 of this chapter. The deleted words may also be confusing since they are similar to the Social Security criteria which are being removed by Section 11 of the bill.

Section 12 requires periodic physical examinations of occupationally disabled employees to determine if they still qualify for benefits.

Sections 18 through 20 maintain the disability benefits of present employees and retroactively pick up those employees who were disqualified by the 1976 amendment which adopted the stricter Social Security criteria. The other sections of this bill are given an immediate effective date.

SECTION ANALYSIS FOR CS SENATE BILL 121 (Finance)

2/20/86 Version

An Act relating to credited service and occupational disability in the Public Employees' Retirement System; making miscellaneous amendments to the retirement statutes; and providing for an effective date

Section 1

Clarifies the initiation date for charging interest on arrearage indebtedness for creditable outside, military and Alaska BIA services.

Section 2

Clarifies when interest will be paid or charged under the Teacher's Retirement System and equates the amount to that prescribed by regulation.

Section 3

This section brings conformity to the language relating to the Public Employees' Retirement System and ensures that amounts held on behalf of survivors and beneficiaries under the Teacher's Retirement System have the same exemptions from taxes and levies that exist for amounts held on behalf of members.

Section 4

Amends the definition of "credited services" to clarify that, for purposes of determining whether a person is eligible for benefits, only paid-up years are credited.

Section 5

Amends the definition of "outside service" to clarify that only full years of outside service may be claimed as credited service.

Section 6

Amends the definition of "teacher or member" to clarify that only persons who fit that description are included in this definition.

Section 7

Revises the definition of "year of service" to make it consistent with Section 3 and to clarify that partial-year

service credit is given only for membership and BIA service.

#### Sections 8 and 9

These sections allow survivors benefits to be paid to the spouse of a justice or judge regardless of whether the spouse remarries so long as the surviving spouse had been married to the justice or judge for at least one year immediately preceding the death.

#### Sections 10 and 12

Provide that the funds for the judicial retirement system and for the Alaska National Guard retirement system are separate funds rather than special accounts in the general fund. This is intended to provide greater security for the funds and for more accurate crediting of investment income back into the funds.

#### Section 11

This section defines those persons to whom a National Guard benefit shall be paid in the event that no beneficiary was previously designated and conforms to the language in PERS and TRS.

#### Section 13

This section allows the offering of long-term care insurance to benefit recipients and their eligible dependents under the TRS, JRS, PERS and EPORS.

#### Section 14

Amends the definition of "governmental unit" to include school districts and to clarify that these districts are treated as distinct governmental units of the State and are allowed to participate in the State's Health and Life Plan.

#### Section 15

For credited service, includes service in military-related civilian occupations in southeast Asia during the Vietnam War (including State Department and CIA employees and contract employees) and in the Merchant Marine during World War II.

#### Section 16

Prior to 1976, part-time state employees did not accrue any retirement credit because of their status and current state law only allowed those people to claim retroactive credit up until July 1, 1981. This section would allow all those

employees who missed the first deadline to take again file for retroactive credit.

Section 17

Technical change which substitutes benefit for pension.

Section 18

Adds language which would disallow benefits if a person did not comply with requirements set forth in AS 39.35.415. That section relates to reemployment of disabled employees and reporting to the division of vocational rehabilitation.

Sections 19, 20, 21 and 22

Technical change which substitutes benefit for pension.

Section 23

Removes the federal Social Security Act criteria for eligibility for occupational disability benefits beyond the first year after the employee qualifies for benefits. As a result, the criteria will be less restrictive and based upon one's inability to perform tasks similar to his previous job.

Sections 24 and 25

Technical change which substitutes benefit for pension.

Section 26

This section extends the filing deadline for a PERS occupational disability pension so that those who attempt to return to work after the onset of the disability are not penalized.

Section 27

Requires periodic physical examinations of occupationally disabled employees to determine if they still qualify for benefits.

Section 28

Technical changes which substitutes benefit for pension and shall for will.

Section 29

New section of law which relates to the reemployment of disabled employees. Requires that after 30 days, a person receiving disability benefits shall apply to the Division

of Vocational Rehabilitation and enroll in a rehabilitation program. Benefits shall terminate if the disabled employee fails to satisfy certain conditions stipulated.

#### Section 30

Would allow the retirement system to pay interest on an amount determined to be owed to a beneficiary. Would also allow the system to assess interest on amounts owed to the system if the benefit was incorrectly paid.

#### Section 31

Adds language relating to the state employee cost-of-living differential by requiring that percentage contributions also include the cost-of-living differential. However, benefit calculations can only include the cost-of-living differential if that employee has received the differential at least 50 % of his credited service.

#### Section 32

Substitutes "payroll" years for "calendar" years for determining an employee's average monthly compensation for computing his retirement benefit. This is changed because some employees use pay periods that do not exactly coincide with the calendar year.

#### Section 33

Provides that severance pay and other separation bonuses are not included in the definition of "compensation". This is to prevent a retiree's benefits from being unduly increased by a windfall separation payment that does not reflect his actual average monthly compensation.

#### Section 34

Technical change required by section 31 of this bill, cost-of-living differential. Changes the definition of compensation.

#### Section 35

Technical change which substitutes "an" for "the".

#### Section 36

Under current law, occupational disability is defined as being unable to perform one's usual duties because of a physical or mental condition. This section adds language which broadens the meaning to include a comparable job for which the person is qualified by training or education.

Section 37

Amends the definition of "payroll year" to conform with Section 32.

Section 38

Provides that interest does not begin to accrue on service claimed under Section 9 above until one year following the effective date of the Act or one year after the person becomes vested, whichever is later.

Section 39

Retired employees and surviving spouses of foreign service officers are entitled to claim retirement credit.

Section 40

Changes made in Section 31 and 34 which relate to cost-of-living differentials apply only to state employees hired after December 31, 1986.

Section 41

Sections 17 - 28 are retroactive to July 1, 1976.

Section 42

Section 31, 34 and 40 of this act take effect January 1, 1987.

Section 43

Sections 1-16, 29, 30, 32, 33 and 35 - 39 take effect July 1, 1986.

Section 44

Sections 17 - 28 take effect immediately.

Position Paper  
Cost of Living (Geographic) Differential in Compensation  
and Benefits: SB 207, Sections 4 and 5, CSSB 207 (Finance),  
Sections 5 and 6; Work Draft CSSB121 (Finance),  
February 12, 1986, Sections 32 and 34.

The Senate Finance Committee staff has requested the position of the Department of Administration on the topic shown above.

This proposal would amend the Public Employees' Retirement Systems. The amendment is to calculate retirement benefits using salaries including geographic differentials only if 50% or more of the credited service was at a location where a comparable geographic differential was paid. Only State employees are affected (there are no known geographic differentials within the participating political subdivisions). This proposal would also provide for refunding any contributions paid on geographic differential if the salary used for benefit calculation does not include the geographic differential.

This proposal does not affect current employees, only future employees.

This proposal has an impact in two areas. First, retirement benefits for some employees are affected and other will receive refunds; and second, the maintenance of records necessary for calculating benefits is greatly increased.

In preparation of this Position Paper, the Division of Retirement and Benefits researched the files of 34 terminated, vested former Alaska State Troopers and the files of the last 40 state employees retired in the Public Employees' Retirement System (PERS) to determine what effect this provision would have had on their retirement or projected retirement benefit.

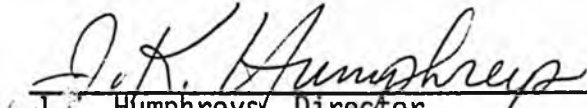
Even assuming that all of these employees were "new employees" and therefore subject to the proposal, we found that only two of them, both former Alaska State Troopers, would have their retirement benefits potentially affected. In one case, the benefit would have dropped from \$1,306.77 to \$1,108.60 (\$198.17 per month) and in the other case from \$1,073.60 to \$935.25 (\$138.35 per month). The only other employees affected are those that would have received refunds on their differential contributions--20 of the 74 individuals.

In terms of computing retirement benefits this proposal would require the State to track base retirement contributions separately from contributions related to the cost of living differential only. The State would have to change the benefit calculation algorithms to perform separate calculations cost of living differentials for each year of service. The attached Fiscal Note for the Division of Retirement and Benefits details these costs. The net first year costs are \$23.2.

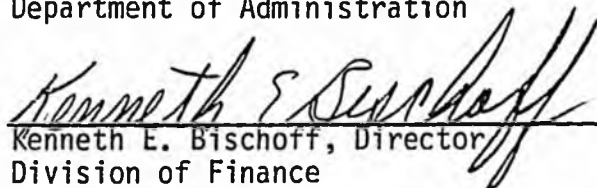
The current verification of service is performed manually and requires the State to identify the number of years of creditable service. This proposal would require a significantly more laborious approach with more manual steps and will be more subject to errors than before. The Division of Finance has calculated the costs for these recordkeeping requirements to be \$286.5 in FY 87, \$77.5 in FY 88 through FY 91, and require an increasing staff in FY 92 and beyond as employees become vested under this proposal (see attached Fiscal Note for the Division of Finance).

Position

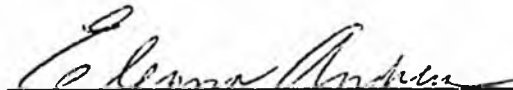
It is our belief that any savings in benefit costs will be more than offset by refunds and the cost of maintaining the additional detail that would be needed for all new employees. We do not support this provision due to the cost of achieving a minor reduction in the benefit of so few employees.

  
\_\_\_\_\_  
J. K. Humphreys, Director  
Division of Retirement and Benefits  
Department of Administration

2/26/86  
Date

  
\_\_\_\_\_  
Kenneth E. Bischoff, Director  
Division of Finance  
Department of Administration

2/26/86  
Date

  
\_\_\_\_\_  
Commissioner Eleanor Andrews  
Department of Administration

2/26/86  
Date

Attachments: Fiscal Notes (2)

STATE OF ALASKA 1986 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

REQUEST  
Bill/Resolution No.: \_\_\_\_\_  
Title: Cost of living differential  
in compensation and benefits

FISCAL DETAIL  
Agency Affected: Administration  
BRU: Retirement and Benefits

Sponsor: \_\_\_\_\_  
Requestor: Senate Finance  
Date of Request: February 24, 1986

Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES		(20.0)	(21.6)	(23.3)	(25.2)	(27.2)
TRAVEL						
CONTRACTUAL		43.2				
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>-0-</b>	<b>23.2</b>	<b>(21.6)</b>	<b>(23.3)</b>	<b>(25.2)</b>	<b>(27.2)</b>
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		21.0	(19.5)	(21.1)	(22.8)	(24.6)
FEDERAL FUNDS		1.0	(1.0)	(1.0)	(1.1)	(1.3)
OTHER		1.2	(1.1)	(1.2)	(1.3)	(1.3)
<b>TOTAL</b>	<b>-0-</b>	<b>23.2</b>	<b>(21.6)</b>	<b>(23.3)</b>	<b>(25.2)</b>	<b>(27.2)</b>

POSITIONS:

	-0-	-0-	-0-	-0-	-0-	-0-
FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

Prepared By: Kenneth J. Humphreys Phone: 465-4460  
 Division: Retirement and Benefits Date: \_\_\_\_\_

Approved by Commissioner: Eleanor Andrews Date: 2/27/86  
 Agency: Department of Administration

Distribution (by Agency preparing fiscal note):  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

CONTINUATION of FISCAL NOTE ANALYSIS

Cost of Living Differential in Compensation and Benefits

This Fiscal Note is limited to the proposal found in sections 4 and 5 of SB 207, sections 5 and 6 of CSSB 207 (Finance) and section 32 and 34 of work draft CSSB 121 (Finance), dated February 12, 1986. It is further limited to the impact on the Division of Retirement and Benefits.

It is estimated that the savings in PERS would be approximately \$40,000 minus the refund of contributions of approximately \$20,000 for a net savings of \$20,000 in FY 87 (exclusive of administrative costs) and increasing by 8% each year thereafter.

STATE OF ALASKA 1986 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

REQUEST  
Bill/Resolution No.: \_\_\_\_\_  
Title: Cost of Living Differential  
in Compensation and Benefits

FISCAL DETAIL  
Agency Affected: Administration  
BRU: Finance

Sponsor: \_\_\_\_\_  
Requestor: Senate Finance  
Date of Request: February 24, 1986

Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
<b>OPERATING</b>						
PERSONAL SERVICES	0	286.5	77.5	77.5	77.5	77.5
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
<b>TOTAL OPERATING</b>	0	286.5	77.5	77.5	77.5	77.5
<b>CAPITAL</b>	0	0	0	0	0	0
<b>REVENUE</b>	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	286.5	77.5	77.5	77.5	77.5
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
<b>TOTAL</b>	0	286.5	77.5	77.5	77.5	77.5

POSITIONS:

FULL-TIME	0	1 (12)	1 (6)	1 (12)	1 (12)	1 (12)
PART-TIME	0	0	1 (6)	1 (6)	1 (6)	1 (6)
TEMPORARY	0	5 (42)	0	0	0	0

ANALYSIS: Attach a separate page if necessary

See attached analysis

Prepared By: KES Kenneth E. Bischoff  
Division: Director

Phone: 465-2240  
Date: February 24, 1986

Approved by Commissioner: Eleanor Andrews  
Agency: Department of Administration

Date: 2/26/86

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Fiscal Note  
Cost of Living Differential in Compensation and Benefits

Cost Calculation Summary:

One Time Costs

3 Journey Level programmers 10 months each	162.5
Administrative Manual update 6 employee months	31.0
Agency training course development and administering 6 employee months	31.0
Finance participation in coordination effort with all other affected groups (Personnel, Labor Relations, Retirement and Benefits, Law, unions) 12 employee months	62.0
	<u>286.5</u>

Ongoing Costs

Additional manual effort required to maintain additional historical data needed to verify length of service and contributions with and without geographic differentials 1 position, range 16	45.0
Additional 6 month/year for payroll system, maintenance 1 position (6 month) Analyst/Programmer (65.0 x 1/2)	32.5
	<u>77.5</u>

### Additional Fiscal Note Analysis

This Fiscal Note and the following comments are limited to the proposal found in sections 4 and 5 of SB 207, sections 5 and 6 of CSSB 207 (Finance) and sections 32 and 34 of work draft CSSB121 (Finance), dated February 12, 1986. They are further limited to the impact on the Division of Finance which would be required to modify automated and manual processes in order to satisfactorily meet the provisions.

- ° The proposal changes the way in which retirement benefits are calculated. It significantly impacts methods used by the State to pay its employees by requiring the complete separation of differential pay from other types of pay and requiring additional record keeping over an employee's entire employment history in order to be able to compute retirement benefits.
- ° The verification of length of service, including the calculation of periods with and without differentials, will essentially be a manual process. These calculations will start in approximately five years when new hires start becoming vested. At that time a new unit within the payroll section of the Division of Finance would be needed. It would probably be one or two employees initially and grow as more and more employees falling under the proposed law decide to retire. This cost occurs beyond the time frame shown on page one of this Fiscal Note.

Summary analysis of changes and related fiscal impact:

One time costs:

Modifications to automated systems (input form changes, file changes, program changes, analysis and design).

\* 30 employee months.

° ASSUMPTIONS

- State can use existing base pay schedules for each identified employee group (approximately 12 groups).
- This bill will not attempt to change any fundamental payroll processes. No major change will be required to the current pay schedules.
- This estimate does not include estimates for data processing chargeback costs.
- Changes required by this bill will be allowed to be scheduled appropriately with all other production work that is necessary to keep the State payroll systems properly operating.

Update State Administrative Manual to include new pay calculation changes for supplemental and prepay processes.

\* 6 employee months.

Train state agencies in new payroll calculations procedures.

\* 6 employee months.

Coordination of affected groups to identify and mutually agree on implementation of legislation (Divisions of Personnel, Labor Relations, and Retirement and Benefits, Department of Law, unions).

\* 12 employee months.

Ongoing costs:

Additional manual effort in the payroll section in order to maintain the additional historical data in a form that can be used to verify length of service including periods with and without differentials (one additional position).

Additional payroll systems maintenance due to increased complexity (6 month per year).

After five years when new employees start to retire, a new unit will need to be established to extract from the employment histories the data needed to verify length of service with and without differential which must be provided to the Public Employees' Retirement System.

STATE OF ALASKA 1986 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: 1/31/86

REQUEST <u>Draft 5/8/85</u>	FISCAL DETAIL
Bill/Resolution No.: <u>CSSB 121(Fin)</u>	Agency Affected: <u>All State Agencies</u>
Title: <u>"An Act relating to credited service..."</u>	BRU: <u>Retirement &amp; Benefits</u>
Sponsor: _____	Components: <u>PERS</u>
Requestor: _____	
Date of Request: _____	

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
<b>OPERATING</b>						
PERSONAL SERVICES						
RTMNT & BNFTS		202.6	218.3	235.2	253.5	273.3
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
TRS MATCH						
<b>TOTAL OPERATING</b>	<b>-0-</b>	<b>202.6</b>	<b>218.3</b>	<b>235.2</b>	<b>253.5</b>	<b>273.3</b>
<b>CAPITAL</b>						
<b>REVENUE</b>						

FUNDING: (Thousands of Dollars)

GENERAL FUND		183.2	197.3	212.6	229.2	247.1
FEDERAL FUNDS		0.3	10.1	10.8	11.7	12.6
OTHER		10.1	10.9	11.8	12.6	13.6
<b>TOTAL</b>	<b>-0-</b>	<b>202.6</b>	<b>218.3</b>	<b>235.2</b>	<b>253.5</b>	<b>273.3</b>

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

See attached

DRAFT

Prepared By: J.K. Humphreys, Director Phone: 465-4470  
Division: Retirement & Benefits Date: \_\_\_\_\_

Approved by Commissioner: Eleanor Andrews Date: \_\_\_\_\_  
Agency: Department of Administration

Distribution (by Agency preparing fiscal note):  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

CS Senate Bill 121 (Fin)  
Draft 5/8/85  
Fiscal Note Analysis  
Prepared by Division of Retirement & Benefits  
Department of Administration

January 31, 1986

Analysis IV: In addition to making some non-substantive technical changes with no fiscal impact in the retirement statutes, this bill removes the requirement that a person receiving occupational disability benefits from the Public Employees' Retirement System (PERS) for a period of one year must secure a Social Security disability award in order to continue receiving benefits. This bill also provides that military service credit can be claimed for merchant marine service between 1941 and 1945 and certain service in Vietnam, Cambodia, Laos with the United States Department of State between 1964 and 1975.

The retroactive provision in the bill would allow those who have been denied benefits in the past because of the lack of a Social Security award to be reinstated to disability benefits.

It is estimated that the removal of the Social Security requirement will result in a .0212% increase in the PERS employer contribution rate or \$125,100 for FY 87. The retroactive provision with a present value of \$77,000 adds an additional annual cost of \$6,700.

It is estimated that the amendment to the military service credit would result in an increase to the PERS contribution rate of .012%. We have estimated that the potential amount of service that may be claimed is 30 years.

The FY 87 state cost of \$202.6 is calculated as follows:

The increase in the PERS contribution rate (.0212%) times the estimated FY 87 PERS state salary (\$590,176,728.00) for the removal of the Social Security requirement is...

\$125,100.00

CS Senate Bill 121 (Fin)  
Draft 5/8/85  
Fiscal Note Analysis  
Prepared by Division of Retirement & Benefits  
Department of Administration

January 31, 1986

Plus the level cost for the retroactive provision regarding removing the Social Security requirement... \$ 6,700.00

Plus the increase in the PERS contribution rate (.012%) times the estimated FY 87 PERS state salary (\$590,176,728) for the military service credit provision. \$ 70,800.00

Total FY 87 Costs \$202,600.00

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

Page 1 of 1

**REQUEST**

Bill/Resolution No.: CSSB 121 (SA)  
 Title: An Act making miscellaneous amendments to the retirement statutes  
 Sponsor: Governor  
 Requestor: \_\_\_\_\_  
 Date of Request: \_\_\_\_\_

**FISCAL DETAIL**

Agency Affected: Administration  
 Program Category Affected: Labor Services  
 BRU, Program or Subprogram(s) Affected: \_\_\_\_\_  
 Division of Retirement & Benefits

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
Operating						
100 Personal Svcs						
100 Rtmnt & Bnfts						
200 Travel						
300 Contractual						
400 Supplies						
500 Equipment						
600 Land & Struct						
700 Grants, Claims						
700 TRS Match						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

**FUNDING: (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

**POSITIONS:**

	0	0	0	0	0	0
FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS:** (Attach a separate page if necessary)

Prepared By: J.K. Humphreys, Director Phone: 465-4470  
 Division: Retirement & Benefits Date: 4/18/85

Approved by Commissioner: Lisa Rudd Date: 4/29/85  
 Agency: Department of Administration

Distribution (by Agency preparing fiscal note):  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

Position Paper

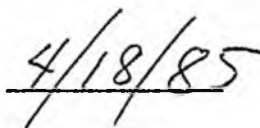
CS Senate Bill 121 (State Affairs)

This bill would make non-substantive, miscellaneous changes to the State retirement systems. This bill clarifies certain provisions in the retirement statutes and codifies policies and practices adopted by the Department of Administration and the retirement boards. These technical changes would have no fiscal impact.

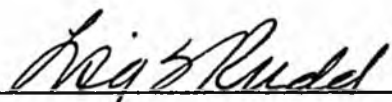
The Department supports this bill.

  
\_\_\_\_\_ *J.K. Humphreys*

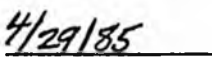
J.K. Humphreys, Director, Division of Retirement & Benefits

  
\_\_\_\_\_ *4/18/85*

Date

  
\_\_\_\_\_ *Lisa Rudd*

Lisa Rudd, Commissioner of Administration

  
\_\_\_\_\_ *4/29/85*

Date

11/13

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

Page 1 of 2

**REQUEST**

Bill/Resolution No.: SB121  
 Title: An act making miscellaneous amendments to the retirement statutes  
 Sponsor: Governor  
 Requestor: \_\_\_\_\_  
 Date of Request: \_\_\_\_\_

**FISCAL DETAIL**

Agency Affected: Administration  
 Program Category Affected: Labor Services  
 BRU, Program or Subprogram(s) Affected: Division of Retirement & Benefits

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES		5.0				
200 TRAVEL						
300 CONTRACTUAL		5.0				
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>		10.0	0	0	0	0

<b>CAPITAL</b>						
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<b>REVENUE</b>						
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**FUNDING: (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER		10.0				
<b>TOTAL</b>		10.0				

**POSITIONS:**

	0	0	0	0	0
FULL-TIME					
PART-TIME					
TEMPORARY					

**ANALYSIS:** (Attach a separate page if necessary)

Prepared By: R. F. Stalnaker *HR*  
 Division: Retirement & Benefits

Phone: 465-4460  
 Date: 12/27/84

Approved by Commissioner: Lisa Rudd *LR*  
 Agency: Department of Administration

Date: 1/28/85

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

2/12/1

Fiscal Note Analysis  
Prepared by Division of Retirement & Benefits  
Department of Administration  
December 28, 1984

ANALYSIS:

This bill would make non-substantive technical amendments to the Public Employees Retirement System, Teachers Retirement System, National Guard Retirement System, and Judicial Retirement System. These amendments will aid in clarifying the statutes.

It is anticipated that \$5.0 will be needed in personal services to review files and determine whether correct indebtedness interest dates have been used and whether all service has been properly credited. These technical amendments may require an additional \$5.0 to make minor enhancements to the data processing systems.

Introduced: 2/1/85  
Referred: State Affairs  
and Finance

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

1 IN THE SENATE

2 SENATE BILL NO. 121

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making miscellaneous amendments to the re-  
7 tirement statutes."

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. Compound interest at the rate prescribed by regu-  
14 lation must [SHALL] be added to the arrearage indebtedness beginning  
15 July 1, 1963, or at the time of first becoming eligible to claim the  
16 service [EMPLOYED AS A MEMBER], whichever is later, to the date of  
17 payment or the date of retirement, whichever occurs first.

18 \* Sec. 2. AS 14.25.220(10) is amended to read:

19 (10) "credited service" means

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

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

27 \* Sec. 3. AS 14.25.220(25) is amended to read:

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

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

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

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

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

20 \* Sec. 4. AS 14.25.220(38) is amended to read:

21 (38) "teacher or member" means a person eligible to partici-  
22 pate in the system and who is covered by the system, limited to [IN-  
23 CLUDING:]

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

28 (B) the commissioner of education and all supervisory  
29 positions in the Department of Education;

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

6 (D) a state legislator who elects membership under  
7 AS 14.25.040(b);

8 \* Sec. 5. AS 14.25.220(40) is repealed and reenacted to read:

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

13 (A) before July 1, 1969, during any school year,

14 (i) less than 20 days, no credit;

15 (ii) 20 days or more but less than 35 days, 0.2  
16 years;

17 (iii) 35 days or more but less than 49 days, 0.3  
18 years;

19 (iv) 49 days or more but less than 63 days, 0.4  
20 years;

21 (v) 63 days or more but less than 77 days, 0.5  
22 years;

23 (vi) 77 days or more but less than 91 days, 0.6  
24 years;

25 (vii) 91 days or more but less than 105 days, 0.7  
26 years;

27 (viii) 105 days or more but less than 119 days, 0.8  
28 years;

29 (ix) 119 days or more but less than 133 days, 0.9

- 1 years;
- 2 (x) 133 days or more, 1.0 years;
- 3 (B) on or after July 1, 1969, during any school year,
- 4 (i) less than nine days, no credit;
- 5 (ii) nine days or more but less than 27 days, 0.1
- 6 years;
- 7 (iii) 27 days or more but less than 45 days, 0.2
- 8 years;
- 9 (iv) 45 days or more but less than 63 days, 0.3
- 10 years;
- 11 (v) 63 days or more but less than 81 days, 0.4
- 12 years;
- 13 (vi) 81 days or more but less than 100 days, 0.5
- 14 years;
- 15 (vii) 100 days or more but less than 118 days, 0.6
- 16 years;
- 17 (viii) 118 days or more but less than 136 days, 0.7
- 18 years;
- 19 (ix) 136 days or more but less than 154 days, 0.8
- 20 years;
- 21 (x) 154 days or more but less than 172 days, 0.9
- 22 years;
- 23 (xi) 172 days or more, 1.0 years;

24 (C) service performed on a part-time basis will be  
25 credited with one-half credit for each day of service.

26 \* Sec. 6. AS 22.25.048(a) is amended to read:

27 (a) The commissioner of administration shall establish[, AS A  
28 SPECIAL ACCOUNT IN THE GENERAL FUND,] a fund for the judicial retire-  
29 ment system and shall maintain accounts and records for the judicial

1 retirement system.

2 \* Sec. 7. AS 26.05.228(a) is amended to read:

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

6 \* Sec. 8. AS 39.30.100(2) is amended to read:

7 (2) "governmental unit" means the state, a borough, school  
8 district, municipal corporation, or other political subdivision of the  
9 state, and the North Pacific Fishery Management Council;

10 \* Sec. 9. AS 39.35.680(4) is amended to read:

11 (4) "average monthly compensation" means the result ob-  
12 tained by dividing the compensation earned by an employee during a  
13 considered period by the number of months, including fractional  
14 months, for which compensation was earned; the considered period  
15 consists of the three consecutive payroll [CALENDAR] years during the  
16 period of credited service that yields the highest average, or if the  
17 employee does not have three consecutive payroll [CALENDAR] years, the  
18 employee's period of credited service; an employee must have at least  
19 115 days of credited service in the last payroll [CALENDAR] year in  
20 order to be used as part of the three consecutive payroll [CALENDAR]  
21 years;

22 \* Sec. 10. AS 39.35.680(8) is amended to read:

23 (8) "compensation" means the total remuneration earned by  
24 an employee for personal services rendered to an employer, including  
25 cost-of-living differentials, payments for leave that is actually used  
26 by the employee, the amount by which the employee's wages are reduced  
27 under AS 39.30.150(c), and any amount deferred under an employer-  
28 sponsored deferred compensation plan, but does not include retirement  
29 benefits, severance pay or other separation bonuses, welfare benefits,

1 per diem, expense allowances, workers' compensation payments or pay-  
2 ments for leave not used by the employee whether those leave payments  
3 are scheduled payments, lump-sum payments, donations, or cash-ins;

4 \* Sec. 11. AS 39.35.680 is amended by adding a new paragraph to read:

5 (40) "payroll year" means the period that includes the first  
6 pay period ending in January of a year through the last pay period  
7 ending in December of that year.

Offered: 4/19/85  
Referred: Finance

Original sponsor: Rules/Governor

1 IN THE SENATE BY THE STATE AFFAIRS COMMITTEE  
2 CS FOR SENATE BILL NO. 121 (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 making miscellaneous amendments to the re-  
7 tirement statutes without fiscal impact."

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,  
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13 Alaska BIA service. Compound interest at the rate prescribed by regu-  
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- 2                               (x) 133 days or more, 1.0 years;
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- 12                   years;
- 13                               (vi) 81 days or more but less than 100 days, 0.5
- 14                   years;
- 15                               (vii) 100 days or more but less than 118 days, 0.6
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14 months, for which compensation was earned; the considered period  
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16 period of credited service that yields the highest average, or if the  
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18 employee's period of credited service; an employee must have at least  
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23 (8) "compensation" means the total remuneration earned by  
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25 cost-of-living differentials, payments for leave that is actually used  
26 by the employee, the amount by which the employee's wages are reduced  
27 under AS 39.30.150(c), and any amount deferred under an employer-  
28 sponsored deferred compensation plan, but does not include retirement  
29 benefits, severance pay or other separation bonuses, welfare benefits,

1 per diem, expense allowances, workers' compensation payments or pay-  
2 ments for leave not used by the employee whether those leave payments  
3 are scheduled payments, lump-sum payments, donations, or cash-ins;

4 \* Sec. 11. AS 39.35.680 is amended by adding a new paragraph to read:

5 (40) "payroll year" means the period that includes the first  
6 pay period ending in January of a year through the last pay period  
7 ending in December of that year.

COMMITTEE REPORT  
SENATE

FURTHER:

FINANCE

2/1/85

Date April 18, 1985

Mr. President

The Committee on STATE AFFAIRS considered SB 121  
making miscellaneous amendments to the retirement statutes.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for SB 121(SA)  
 new title
- same title and recommends \_\_\_\_\_
- and attached a "LETTER OF INTENT" ~~NEW FISCAL NOTE~~ NO
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

Tim Kelly  
\_\_\_\_\_  
Bill Ray  
\_\_\_\_\_  
[Signature]  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

MEMBERS HAVING  
OTHER RECOMMENDATIONS

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Edna De Vries  
Chairman Acting  
Do Pass  
Chairman recommendation

Cramer  
2/20/86 ✓

Original sponsor: Rules/governor

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 121 (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 credited service and occupational  
7 disability in the Public Employees' Retirement Sys-  
8 tem; making miscellaneous amendments to the retire-  
9 ment statutes; and providing for an effective date."

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

11 \* Section 1. AS 14.25.060(a)(1) is amended to read:

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

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

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

1 due and continues until an actuarial adjustment to the benefit is  
2 effective or the amount owed is paid. Accrued interest for periods  
3 less than 60 days or in amounts less than the limit established in  
4 regulation for writing off small indebtedness and refund balances may  
5 not be collected or paid under this subsection.

6 \* Sec. 3. AS 14.25.200 is amended to read:

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

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

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

23       (10) "credited service" means

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

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8 an out-of-state public school within the United States, or in a  
9 school outside the United States supported by funds of the United  
10 States;

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2           cate as a condition of employment in a public school of the  
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25 years;
- 26 (x) 154 days or more but less than 172 days, 0.9  
27 years;
- 28 (xi) 172 days or more, 1.0 years;
- 29 (C) service performed on a part-time basis will be

1 credited with one-half credit for each day of service;

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

3 (b) To be eligible for the survivors' benefits, the surviving  
4 spouse must have been married to the justice or judge for at least one  
5 year [TWO YEARS] immediately preceding the death of the justice or  
6 judge. The benefits continue until the [REMARRIAGE OR] death of the  
7 surviving spouse.

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

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

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

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

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

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

1 the beneficiary at any time. If a member designates more than one  
2 beneficiary, each shall share equally unless the member specifies a  
3 different allocation. The designation of a beneficiary and a change  
4 or revocation of a beneficiary shall be made on a form provided by the  
5 Department of Military and Veterans' Affairs and is not effective  
6 until filed with the Department of Military and Veterans' Affairs. If  
7 a member fails to designate a beneficiary or if no designated benefi-  
8 ciary survives the member, the death benefit under this subsection  
9 shall be paid to the

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

11 (2) surviving children in equal parts; or, if there is none  
12 surviving,

13 (3) surviving parents in equal parts; or, if there is none  
14 surviving,

15 (4) member's estate.

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

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

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

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

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

28 (2) "governmental unit" means the state, a municipality,  
29 school district [BOROUGH, MUNICIPAL CORPORATION], or other political

1 subdivision of the state, and the North Pacific Fishery Management  
2 Council;

3 \* Sec. 15. AS 39.35.340 is amended by adding a new subsection to read:

4 (i) Credited service under (a) of this section includes service  
5 as a

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

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

12 \* Sec. 16. AS 39.35.360(h) is amended to read:

13 (h) An employee of the state is eligible to receive credited  
14 service [AS PROVIDED] under AS 39.35.300(b) for service rendered as a  
15 permanent part-time employee before January 1, 1976. [TO RECEIVE  
16 RETROACTIVE CREDITED SERVICE UNDER THIS SUBSECTION, THE EMPLOYEE MUST  
17 CLAIM THE SERVICE BEFORE JULY 1, 1981.] When the employee claims  
18 retroactive credited service, an indebtedness of the employee to the  
19 system shall be established. The amount of this indebtedness is equal  
20 to the contributions the employee would have made if the employee had  
21 been eligible for membership in the system. The rate used to calcu-  
22 late the contributions may not be less than the rate in effect on  
23 January 1, 1961. Interest as prescribed by regulation accrues on the  
24 indebtedness beginning July 1, 1981 for employees claiming the service  
25 before that date, and beginning July 1, 1980, for employees claiming  
26 the service on or after July 1, 1981. Any outstanding indebtedness  
27 that exists at the time the employee retires will require an actuarial  
28 adjustment to the benefits that are based on retroactive credited  
29 service under this subsection.

1 \* Sec. 17. AS 39.35.400(a) is amended to read:

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

7 \* Sec. 18. AS 39.35.400(b) is repealed and reenacted to read:

8 (b) The nonoccupational disability benefits accrue beginning the  
9 first day of the month following termination of employment as a result  
10 of the disability and are payable the last day of the month. If a  
11 final determination granting the benefit is not made in time to pay  
12 the benefit when due, a retroactive payment shall be made to cover the  
13 period of deferment. The last payment shall be for the first month in  
14 which the disabled employee

15 (1) dies;

16 (2) recovers from disability;

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

19 (4) reaches normal retirement age.

20 \* Sec. 19. AS 39.35.400(c) is amended to read:

21 (c) If the disabled employee becomes ineligible to receive  
22 nonoccupational disability benefits, the employee is entitled to  
23 receive a normal or early retirement benefit [PENSION] if the employee  
24 would have been eligible for the benefit [PENSION] had employment  
25 continued during the period of disability. However, the period of  
26 disability does not constitute credited service.

27 \* Sec. 20. AS 39.35.400(d) is amended to read:

28 (d) The monthly amount of the nonoccupational disability benefit  
29 [PENSION] shall be determined in accordance with AS 39.35.370(c),

1 considering the employee's credited service and compensation before  
2 termination of employment.

3 \* Sec. 21. AS 39.35.400(f) is amended to read:

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

8 \* Sec. 22. AS 39.35.410(a) is amended to read:

9 (a) An employee is eligible for an occupational disability  
10 benefit [PENSION] if employment is terminated because of a total and  
11 apparently permanent occupational disability, as defined in AS 39.35.-  
12 680, before the employee's normal retirement date.

13 \* Sec. 23. AS 39.35.410(b) is repealed and reenacted to read:

14 (b) The occupational disability benefits accrue beginning the  
15 first day of the month following termination of employment as a result  
16 of the disability and are payable the last day of the month. If a  
17 final determination granting the benefit is not made in time to pay  
18 the benefit when due, a retroactive payment shall be made to cover the  
19 period of deferment. The last payment shall be for the first month in  
20 which the disabled employee

21 (1) dies;

22 (2) recovers from disability;

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

25 (4) reaches normal retirement age.

26 \* Sec. 24. AS 39.35.410(c) is amended to read:

27 (c) If the disabled employee becomes ineligible to receive  
28 occupational disability benefits before the normal retirement date,  
29 the disabled employee shall then be entitled to receive an early

1 retirement benefit [PENSION] if the employee would have been eligible  
2 for the benefit [PENSION] had employment continued during the period  
3 of disability. The period of disability constitutes credited service.

4 \* Sec. 25. AS 39.35.410(d) is amended to read:

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

8 \* Sec. 26. AS 39.35.410(f) is amended to read:

9 (f) An employee is not entitled to an occupational disability  
10 benefit [PENSION] unless the employee files an application for it with  
11 the administrator within six months after the date of the accident, if  
12 disability is attributable to an accident, [OR] within six months  
13 after the date the disability begins if the disability is caused by an  
14 occupational disease, or within 30 days of the date of terminating  
15 employment, whichever is later. If the disability is attributable to  
16 an accident, the employee shall file a notice of the accident with the  
17 administrator within 30 days following the date it occurred. This  
18 30-day filing period is suspended for the time the employee's condi-  
19 tion prevents filing. If the employee is unable to meet a filing  
20 requirement of this subsection, it may be waived by the Public Employ-  
21 ees' Retirement Board for cause.

22 \* Sec. 27. AS 39.35.410(g) is repealed and reenacted to read:

23 (g) A disabled employee receiving an occupational disability  
24 benefit shall undergo a medical examination as often as the adminis-  
25 trator considers advisable but not more frequently than once each  
26 year. The administrator shall determine the place of the examination  
27 and engage the physician or physicians. If, in the judgment of the  
28 administrator, the examination indicates that the retired employee is  
29 no longer incapacitated because of a total and apparently permanent

1 occupational disability, the administrator may not issue further  
2 disability benefits to the employee.

3 \* Sec. 28. AS 39.35.410(h) is amended to read:

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

9 \* Sec. 29. AS 39.35 is amended by adding a new section to read:

10 Sec. 39.35.415. REEMPLOYMENT OF DISABLED EMPLOYEES. An employee  
11 appointed to disability benefits under AS 39.35.400 or 39.35.410 shall  
12 apply to the division of vocational rehabilitation within 30 days of  
13 the date disability benefits commence. The employee shall be enrolled  
14 in a rehabilitation program if the employee meets the eligibility  
15 requirements of the division of vocational rehabilitation. Unless the  
16 employee demonstrates cause, benefits shall terminate at the end of  
17 the first month in which a disabled employee

18 (1) fails to report to the division of vocational rehabili-  
19 tation;

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

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

23 (4) fails to accept a position offered.

24 \* Sec. 30. AS 39.35.520 is amended by adding a new subsection to read:

25 (d) The system shall pay interest on amounts owed to a member or  
26 beneficiary. Interest shall be charged on amounts owed to the system  
27 by a member or beneficiary if the amount owed is the result of errone-  
28 ous information supplied by the member or beneficiary, or the member  
29 or beneficiary had reasonable grounds to believe the amount of the

1 benefit was in error. The interest paid under this subsection is at  
2 the rate established by regulation for indebtedness contributions  
3 owed. Interest accrues from the date on which the correct payment was  
4 due and continues until an actuarial adjustment to the benefit is  
5 effective or the amount owed is paid. Accrued interest in amounts  
6 less than the limit established in regulation for writing off small  
7 indebtedness and refund balances may not be collected or paid under  
8 this subsection.

9 \* Sec. 31. AS 39.35 is amended by adding a new section to read:

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

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

19 (c) When an employee receives a benefit, and if the employee's  
20 compensation for purposes of calculating the benefit does not include  
21 a cost-of-living differential, then the administrator shall refund to  
22 the employee the amount of contributions the employee made based on  
23 the differential.

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

28 \* Sec. 32. AS 39.35.680(4) is amended to read:

29 (4) "average monthly compensation" means the result

1 obtained by dividing the compensation earned by an employee during a  
2 considered period by the number of months<sup>o</sup>, including fractional  
3 months, for which compensation was earned; the considered period  
4 consists of the three consecutive payroll [CALENDAR] years during the  
5 period of credited service that yields the highest average, or if the  
6 employee does not have three consecutive payroll [CALENDAR] years, the  
7 employee's period of credited service; an employee must have at least  
8 115 days of credited service in the last payroll [CALENDAR] year in  
9 order for that year to be used as part of the three consecutive pay-  
10 roll [CALENDAR] years;

11 \* Sec. 33. AS 39.35.680(8) is amended to read:

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

22 \* Sec. 34. AS 39.35.680(8) is repealed and reenacted to read:

23 (8) "compensation" means the total remuneration earned by  
24 an employee for personal services rendered to an employer, including  
25 cost-of-living differentials only as provided in AS 39.35.675, pay-  
26 ments for leave that is actually used by the employee, the amount by  
27 which the employee's wages are reduced under AS 39.30.150(c), and any  
28 amount deferred under an employer-sponsored deferred compensation  
29 plan, but does not include retirement benefits, severance pay or other

1 separation bonuses, welfare benefits, per diem, expense allowances,  
2 workers' compensation payments or payments for leave not used by the  
3 employee whether those leave payments are scheduled payments, lump-sum  
4 payments, donations, or cash-ins;

5 \* Sec. 35. AS 39.35.680(23) is amended to read:

6 (23) "nonoccupational disability" means a physical or mental  
7 condition that, in the judgment of the administrator, presumably  
8 permanently prevents an employee from satisfactorily performing the  
9 employee's usual duties for an employer or the duties of another  
10 position or job that an [THE] employer makes available and for which  
11 the employee is qualified by training or education, not including a  
12 condition resulting from a cause that the board, in its regulations  
13 has excluded;

14 \* Sec. 36. AS 39.35.680(26) is amended to read:

15 (26) "occupational disability" means a physical or mental  
16 condition that, in the judgment of the administrator, presumably  
17 permanently prevents an employee from satisfactorily performing the  
18 employee's usual duties for an employer or the duties of another  
19 comparable position or job that an employer makes available and for  
20 which the employee is qualified by training or education; however, the  
21 proximate cause of the condition must be a bodily injury sustained, or  
22 a hazard undergone, while in the performance and within the scope of  
23 the employee's duties and not the proximate result of the wilful  
24 negligence of the employee;

25 \* Sec. 37. AS 39.35.680 is amended by adding a new paragraph to read:

26 (40) "payroll year" means the period that includes the first  
27 pay period ending in January of a year through the last pay period  
28 ending in December of that year.

29 \* Sec. 38. Notwithstanding AS 39.35.340(b) or (e), interest does not

1 accrue on service claimed under AS 39.35.340(i), enacted by sec. 15 of this  
2 Act, until one year following the effective date of this Act or one year  
3 following the date on which a person first becomes vested, whichever is  
4 later.

5 \* Sec. 39. Retired employees, deferred vested employees, and surviving  
6 spouses on the effective date of this Act are entitled to claim credited  
7 service or increased benefits for service claimed under sec. 15 of this Act  
8 in accordance with AS 39.35.340(c), (e), and (g).

9 \* Sec. 40. The amendments made by secs. 31 and 34 of this Act apply  
10 only to members first hired under the Public Employees' Retirement System  
11 after December 31, 1986.

12 \* Sec. 41. Sections 17 - 28 of this Act are retroactive to July 1,  
13 1976.

14 \* Sec. 42. Sections 31, 34, and 40 of this Act take effect January 1,  
15 1987.

16 \* Sec. 43. Sections 1 - 16, 29, 30, 32, 33, and 35 - 39 of this Act  
17 take effect July 1, 1986.

18 \* Sec. 44. Sections 17 - 28, and 41 of this Act take effect immediately  
19 in accordance with AS 01.10.070(c).

Cramer  
2/12/86 ✓

Original sponsor: Rules/Governor

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 121 (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 credited service and occupational  
7 disability in the Public Employees' Retirement Sys-  
8 tem; geographical differential pay steps; making  
9 miscellaneous amendments to the retirement statutes;  
10 and providing for an effective date."

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

12 \* Section 1. AS 14.25.060(a)(1) is amended to read:

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

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

23 (d) The system shall pay interest on amounts owed to a member or  
24 beneficiary. Interest shall be charged on amounts owed to the system  
25 by a member or beneficiary if the amount owed is the result of errone-  
26 ous information supplied by the member or beneficiary, or the member  
27 or beneficiary had reasonable grounds to believe the amount of the  
28 benefit was in error. The interest paid under this subsection is at  
29 the rate established by regulation for indebtedness contributions

1 owed. Interest accrues from the date on which the correct payment was  
2 due and continues until an actuarial adjustment to the benefit is  
3 effective or the amount owed is paid. Accrued interest for periods  
4 less than 60 days or in amounts less than the limit established in  
5 regulation for writing off small indebtedness and refund balances may  
6 not be collected or paid under this subsection.

7 \* Sec. 3. AS 14.25.200 is amended to read:

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

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

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

24 (10) "credited service" means

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

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

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

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

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

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

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

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

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

26                   (38) "teacher or member" means a person eligible to partici-  
27                   pate in the system and who is covered by the system, limited to [IN-  
28                   CLUDING: ]

29                   (A) a certificated full-time or part-time elementary

1 or secondary teacher, a certificated school nurse, or a cer-  
2 tificated person in a position requiring a teaching certificate  
3 as a condition of employment in a public school of the state;

4 (B) the commissioner of education and all supervisory  
5 positions in the Department of Education;

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

11 (D) a state legislator who elects membership under  
12 AS 14.25.040(b);

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

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

18 (A) before July 1, 1969, during any school year,

19 (i) less than 20 days, no credit;

20 (ii) 20 days or more but less than 35 days, 0.2  
21 years;

22 (iii) 35 days or more but less than 49 days, 0.3  
23 years;

24 (iv) 49 days or more but less than 63 days, 0.4  
25 years;

26 (v) 63 days or more but less than 77 days, 0.5  
27 years;

28 (vi) 77 days or more but less than 91 days, 0.6  
29 years;

- 1 (vii) 91 days or more but less than 105 days, 0.7  
2 years;
- 3 (viii) 105 days or more but less than 119 days, 0.8  
4 years;
- 5 (ix) 119 days or more but less than 133 days, 0.9  
6 years;
- 7 (x) 133 days or more, 1.0 years;
- 8 (B) on or after July 1, 1969, during any school year,  
9 (i) less than nine days, no credit;  
10 (ii) nine days or more but less than 27 days, 0.1  
11 years;
- 12 (iii) 27 days or more but less than 45 days, 0.2  
13 years;
- 14 (iv) 45 days or more but less than 63 days, 0.3  
15 years;
- 16 (v) 63 days or more but less than 81 days, 0.4  
17 years;
- 18 (vi) 81 days or more but less than 100 days, 0.5  
19 years;
- 20 (vii) 100 days or more but less than 118 days, 0.6  
21 years;
- 22 (viii) 118 days or more but less than 136 days, 0.7  
23 years;
- 24 (ix) 136 days or more but less than 154 days, 0.8  
25 years;
- 26 (x) 154 days or more but less than 172 days, 0.9  
27 years;
- 28 (xi) 172 days or more, 1.0 years;
- 29 (C) service performed on a part-time basis will be

1 credited with one-half credit for each day of service;

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

3 (b) To be eligible for the survivors' benefits, the surviving  
4 spouse must have been married to the justice or judge for at least one  
5 year [TWO YEARS] immediately preceding the death of the justice or  
6 judge. The benefits continue until the [REMARRIAGE OR] death of the  
7 surviving spouse.

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

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

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

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

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

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

1 the beneficiary at any time. If a member designates more than one  
2 beneficiary, each shall share equally unless the member specifies a  
3 different allocation. The designation of a beneficiary and a change  
4 or revocation of a beneficiary shall be made on a form provided by the  
5 Department of Military and Veterans' Affairs and is not effective  
6 until filed with the Department of Military and Veterans' Affairs. If  
7 a member fails to designate a beneficiary or if no designated benefi-  
8 ciary survives the member, the death benefit under this subsection  
9 shall be paid to the

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

11 (2) surviving children in equal parts; or, if there is none  
12 surviving,

13 (3) surviving parents in equal parts; or, if there is none  
14 surviving,

15 (4) member's estate.

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

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

20 \* Sec. 13. AS 39.27.020 is amended by adding a new subsection to read:

21 (d) If an employee's basic annual salary is no more than  
22 \$30,000, the pay step differential shall be calculated using the  
23 employee's basic salary. If the employee's basic annual salary is  
24 greater than \$30,000, then the employee's pay step differential shall  
25 be calculated on the differential for a basic salary of \$30,000.

26 \* Sec. 14. AS 39.30.090 is amended by adding a new paragraph to read:

27 (11) A person receiving benefits under AS 14.25; AS 22.25;  
28 AS 39.35; or former AS 39.37 may obtain long-term care insurance for  
29 that person and eligible dependents under this section. A person who

1 elects insurance under this paragraph shall pay the cost of the insur-  
2 ance premium. The commissioner of administration shall adopt regula-  
3 tions to implement this paragraph.

4 \* Sec. 15. AS 39.30.100(2) is amended to read:

5 (2) "governmental unit" means the state, a municipality,  
6 school district [BOROUGH, MUNICIPAL CORPORATION], or other political  
7 subdivision of the state, and the North Pacific Fishery Management  
8 Council;

9 \* Sec. 16. AS 39.35.340 is amended by adding a new subsection to read:

10 (i) Credited service under (a) of this section includes service  
11 as a

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

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

18 \* Sec. 17. AS 39.35.360(h) is amended to read:

19 (h) An employee of the state is eligible to receive credited  
20 service [AS PROVIDED] under AS 39.35.300(b) for service rendered as a  
21 permanent part-time employee before January 1, 1976. [TO RECEIVE  
22 RETROACTIVE CREDITED SERVICE UNDER THIS SUBSECTION, THE EMPLOYEE MUST  
23 CLAIM THE SERVICE BEFORE JULY 1, 1981.] When the employee claims  
24 retroactive credited service, an indebtedness of the employee to the  
25 system shall be established. The amount of this indebtedness is equal  
26 to the contributions the employee would have made if the employee had  
27 been eligible for membership in the system. The rate used to calcu-  
28 late the contributions may not be less than the rate in effect on  
29 January 1, 1961. Interest as prescribed by regulation accrues on the

1 indebtedness beginning July 1, 1981 for employees claiming the service  
2 before that date, and beginning July 1, 1980, for employees claiming  
3 the service on or after July 1, 1981. Any outstanding indebtedness  
4 that exists at the time the employee retires will require an actuarial  
5 adjustment to the benefits that are based on retroactive credited  
6 service under this subsection.

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

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

13 \* Sec. 19. AS 39.35.400(b) is repealed and reenacted to read:

14 (b) The nonoccupational disability benefits accrue beginning the  
15 first day of the month following termination of employment as a result  
16 of the disability and are payable the last day of the month. If a  
17 final determination granting the benefit is not made in time to pay  
18 the benefit when due, a retroactive payment shall be made to cover the  
19 period of deferment. The last payment shall be for the first month in  
20 which the disabled employee

21 (1) dies;

22 (2) recovers from disability;

23 (3) fails to meet the requirements under (e) of this  
24 section or under AS 39.35.415; or

25 (4) reaches normal retirement age.

26 \* Sec. 20. AS 39.35.400(c) is amended to read:

27 (c) If the disabled employee becomes ineligible to receive  
28 nonoccupational disability benefits, the employee is entitled to  
29 receive a normal or early retirement benefit [PENSION] if the employee

1 would have been eligible for the benefit [PENSION] had employment  
2 continued during the period of disability. However, the period of  
3 disability does not constitute credited service.

4 \* Sec. 21. AS 39.35.400(d) is amended to read:

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

9 \* Sec. 22. AS 39.35.400(f) is amended to read:

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

14 \* Sec. 23. AS 39.35.410(a) is amended to read:

15 (a) An employee is eligible for an occupational disability  
16 benefit [PENSION] if employment is terminated because of a total and  
17 apparently permanent occupational disability, as defined in AS 39.35.-  
18 680, before the employee's normal retirement date.

19 \* Sec. 24. AS 39.35.410(b) is repealed and reenacted to read:

20 (b) The occupational disability benefits accrue beginning the  
21 first day of the month following termination of employment as a result  
22 of the disability and are payable the last day of the month. If a  
23 final determination granting the benefit is not made in time to pay  
24 the benefit when due, a retroactive payment shall be made to cover the  
25 period of deferment. The last payment shall be for the first month in  
26 which the disabled employee

27 (1) dies;

28 (2) recovers from disability;

29 (3) fails to meet the requirements under (g) of this

1 section or under AS 39.35.415; or

2 (4) reaches normal retirement age.

3 \* Sec. 25. AS 39.35.410(c) is amended to read:

4 (c) If the disabled employee becomes ineligible to receive  
5 occupational disability benefits before the normal retirement date,  
6 the disabled employee shall then be entitled to receive an early  
7 retirement benefit [PENSION] if the employee would have been eligible  
8 for the benefit [PENSION] had employment continued during the period  
9 of disability. The period of disability constitutes credited service.

10 \* Sec. 26. AS 39.35.410(d) is amended to read:

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

14 \* Sec. 27. AS 39.35.410(f) is amended to read:

15 (f) An employee is not entitled to an occupational disability  
16 benefit [PENSION] unless the employee files an application for it with  
17 the administrator within six months after the date of the accident, if  
18 disability is attributable to an accident, [OR] within six months  
19 after the date the disability begins if the disability is caused by an  
20 occupational disease, or within 30 days of the date of terminating  
21 employment, whichever is later. If the disability is attributable to  
22 an accident, the employee shall file a notice of the accident with the  
23 administrator within 30 days following the date it occurred. This  
24 30-day filing period is suspended for the time the employee's condi-  
25 tion prevents filing. If the employee is unable to meet a filing  
26 requirement of this subsection, it may be waived by the Public Employ-  
27 ees' Retirement Board for cause.

28 \* Sec. 28. AS 39.35.410(g) is repealed and reenacted to read:

29 (g) A disabled employee receiving an occupational disability

1 benefit shall undergo a medical examination as often as the adminis-  
2 trator considers advisable but not more frequently than once each  
3 year. The administrator shall determine the place of the examination  
4 and engage the physician or physicians. If, in the judgment of the  
5 administrator, the examination indicates that the retired employee is  
6 no longer incapacitated because of a total and apparently permanent  
7 occupational disability, the administrator may not issue further  
8 disability benefits to the employee.

9 \* Sec. 29. AS 39.35.410(h) is amended to read:

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

15 \* Sec. 30. AS 39.35 is amended by adding a new section to read:

16 Sec. 39.35.415. REEMPLOYMENT OF DISABLED EMPLOYEES. An employee  
17 appointed to disability benefits under AS 39.35.400 or 39.35.410 shall  
18 apply to the division of vocational rehabilitation within 30 days of  
19 the date disability benefits commence. The employee shall be enrolled  
20 in a rehabilitation program if the employee meets the eligibility  
21 requirements of the division of vocational rehabilitation. Unless the  
22 employee demonstrates cause, benefits shall terminate at the end of  
23 the first month in which a disabled employee

24 (1) fails to report to the division of vocational rehabili-  
25 tation;

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

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

29 (4) fails to accept a position offered.

1 \* Sec. 31. 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. 32. 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. 33. 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  
9 months, for which compensation was earned; the considered period  
10 consists of the three consecutive payroll [CALENDAR] years during the  
11 period of credited service that yields the highest average, or if the  
12 employee does not have three consecutive payroll [CALENDAR] years, the  
13 employee's period of credited service; an employee must have at least  
14 115 days of credited service in the last payroll [CALENDAR] year in  
15 order for that year to be used as part of the three consecutive pay-  
16 roll [CALENDAR] years;

17 \* Sec. 34. 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 only as provided in AS 39.35.675, pay-  
21 ments for leave that is actually used by the employee, the amount by  
22 which the employee's wages are reduced under AS 39.30.150(c), and any  
23 amount deferred under an employer-sponsored deferred compensation  
24 plan, but does not include retirement benefits, severance pay or other  
25 separation bonuses, welfare benefits, per diem, expense allowances,  
26 workers' compensation payments or payments for leave not used by the  
27 employee whether those leave payments are scheduled payments, lump-sum  
28 payments, donations, or cash-ins;

29 \* Sec. 35. AS 39.35.680(23) is amended to read:

1 (23) "nonoccupational disability" means a physical or mental  
2 condition that, in the judgment of the administrator, presumably  
3 permanently prevents an employee from satisfactorily performing the  
4 employee's usual duties for an employer or the duties of another  
5 position or job that an [THE] employer makes available and for which  
6 the employee is qualified by training or education, not including a  
7 condition resulting from a cause that the board, in its regulations  
8 has excluded;

9 \* Sec. 36. AS 39.35.680(26) is amended to read:

10 (26) "occupational disability" means a physical or mental  
11 condition that, in the judgment of the administrator, presumably  
12 permanently prevents an employee from satisfactorily performing the  
13 employee's usual duties for an employer or the duties of another  
14 comparable position or job that an employer makes available and for  
15 which the employee is qualified by training or education; however, the  
16 proximate cause of the condition must be a bodily injury sustained, or  
17 a hazard undergone, while in the performance and within the scope of  
18 the employee's duties and not the proximate result of the wilful  
19 negligence of the employee;

20 \* Sec. 37. AS 39.35.680 is amended by adding a new paragraph to read:

21 (40) "payroll year" means the period that includes the first  
22 pay period ending in January of a year through the last pay period  
23 ending in December of that year.

24 \* Sec. 38. Notwithstanding AS 39.35.340(b) or (e), interest does not  
25 accrue on service claimed under AS 39.35.340(i), enacted by sec. 16 of this  
26 Act, until one year following the effective date of this Act or one year  
27 following the date on which a person first becomes vested, whichever is  
28 later.

29 \* Sec. 39. Retired employees, deferred vested employees, and surviving

1 spouses on the effective date of this Act are entitled to claim credited  
2 service or increased benefits for service claimed under sec. 16 of this Act  
3 in accordance with AS 39.35.340(c), (e), and (g).

4 \* Sec. 40. Nothing in secs. 2, 3, 8, 9, 11, 14, 17 - 31, 35, and 36 of  
5 this Act shall be construed to reduce the benefits to which an employee  
6 hired before the effective date of this section is entitled.

7 \* Sec. 41. The amendments made by secs. 32 and 34 of this Act apply  
8 only to members first hired under the Public Employees' Retirement System  
9 on or after the effective date of this section.

10 \* Sec. 42. Sections 18 - 29 of this Act are retroactive to July 1,  
11 1976.

12 \* Sec. 43. Sections 32, 34, and 41 of this Act take effect January 1,  
13 1987.

14 \* Sec. 44. Sections 1 - 17, 30, 31, 33, and 35 - 39 of this Act take  
15 effect July 1, 1986.

16 \* Sec. 45. Sections 18 - 29, 40, and 42 of this Act take effect immedi-  
17 ately in accordance with AS 01.10.070(c).

Original sponsor: Rules/Governor

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IN THE SENATE

BY THE FINANCE COMMITTEE

CS FOR SENATE BILL NO. 121 (Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to credited service and occupational disability in the Public Employees' Retirement System; and making miscellaneous amendments to the retirement statutes without fiscal impact; and providing for an effective date."

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

\* Section 1. AS 14.25.060(a)(1) is amended to read:

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

\* Sec. 2. AS 14.25.220(10) is amended to read:

(10) "credited service" means

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

(B) for purposes of eligibility for benefits under

1                   this chapter, service for which no indebtedness is owed;

2  
3 \* Sec. 3. AS 14.25.220(25) is amended to read:

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

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

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

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

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

25 \* Sec. 4. AS 14.25.220(38) is amended to read:

26                   (38) "teacher or member" means a person eligible to partici-  
27 pate in the system and who is covered by the system, limited to [IN-  
28 CLUDING:]

29                   (A) a certificated full-time or part-time elementary  
or secondary teacher, a certificated school nurse, or a

1 certified person in a position requiring a teaching certifi-  
2 cate as a condition of employment in a public school of the  
3 state;

4 (B) the commissioner of education and all supervisory  
5 positions in the Department of Education;

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

11 (D) a state legislator who elects membership under  
12 AS 14.25.040(b);

13 \* Sec. 5. AS 14.25.220(40) is repealed and reenacted to read:

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

18 (A) before July 1, 1969, during any school year,

19 (i) less than 20 days, no credit;

20 (ii) 20 days or more but less than 35 days, 0.2  
21 years;

22 (iii) 35 days or more but less than 49 days, 0.3  
23 years;

24 (iv) 49 days or more but less than 63 days, 0.4  
25 years;

26 (v) 63 days or more but less than 77 days, 0.5  
27 years;

28 (vi) 77 days or more but less than 91 days, 0.6  
29 years;

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- (vii) 91 days or more but less than 105 days, 0.7 years;
  - (viii) 105 days or more but less than 119 days, 0.8 years;
  - (ix) 119 days or more but less than 133 days, 0.9 years;
  - (x) 133 days or more, 1.0 years;
- (B) on or after July 1, 1969, during any school year,
- (i) less than nine days, no credit;
  - (ii) nine days or more but less than 27 days, 0.1 years;
  - (iii) 27 days or more but less than 45 days, 0.2 years;
  - (iv) 45 days or more but less than 63 days, 0.3 years;
  - (v) 63 days or more but less than 81 days, 0.4 years;
  - (vi) 81 days or more but less than 100 days, 0.5 years;
  - (vii) 100 days or more but less than 118 days, 0.6 years;
  - (viii) 118 days or more but less than 136 days, 0.7 years;
  - (ix) 136 days or more but less than 154 days, 0.8 years;
  - (x) 154 days or more but less than 172 days, 0.9 years;
  - (xi) 172 days or more, 1.0 years;

(C) service performed on a part-time basis will be

1 credited with one-half credit for each day of service.

2 \* Sec. 6. AS 22.25.048(a) is amended to read:

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

7 \* Sec. 7. AS 26.05.228(a) is amended to read:

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

11 \* Sec. 8. AS 39.30.100(2) is amended to read:

12 (2) "governmental unit" means the state, a borough, school  
13 district, municipal corporation, or other political subdivision of the  
14 state, and the North Pacific Fishery Management Council;

15 \* Sec. 9. AS 39.35.340 is amended by adding a new subsection to read:

16 (i) Credited service under (a) of this section includes service  
17 as a

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

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

24 \* Sec. 10. AS 39.35.410(a) is amended to read:

25 (a) An employee is eligible for an occupational disability  
26 benefit if the employee [PENSION IF EMPLOYMENT] is terminated because  
27 of an [A TOTAL AND APPARENTLY PERMANENT] occupational disability, as  
28 defined in AS 39.35.680, before the employee's normal retirement date.

29 \* Sec. 11. AS 39.35.410(b) is amended to read:

1  
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. [BENEFITS SHALL BE CONTINUED AFTER ONE YEAR FROM  
8 DATE OF APPOINTMENT TO OCCUPATIONAL DISABILITY ONLY IF THE DISABLED  
9 EMPLOYEE FULFILLS THE REQUIREMENTS SET OUT IN (g) OF THIS SECTION.]  
10 The last payment shall be for the first month in which any one of the  
11 following occurs:

12 (1) the death of the disabled employee; [OCCURS, OR]

13 (2) [THE MONTH IN WHICH] the disabled employee recovers from  
14 disability; [, OR]

15 (3) [THE MONTH IN WHICH] the disabled employee fails to meet  
16 the requirements set out in (g) of this section; [CEASES TO BE ELI-  
17 GIBLE FOR DISABILITY PAYMENTS UNDER 42 U.S.C. 301 - 1397f (SOCIAL  
18 SECURITY ACT),] or

19 (4) [THE MONTH] the disabled employee reaches normal retire-  
20 ment age [, WHICHEVER OCCURS FIRST].

21 \* Sec. 12. AS 39.35.410(g) is repealed and reenacted to read:

22 (g) A disabled employee receiving an occupational disability  
23 benefit shall undergo a medical examination as often as the adminis-  
24 trator considers advisable but not more frequently than once each  
25 year. The administrator shall determine the place of the examination  
26 and engage the physician or physicians. If, in the judgment of the  
27 administrator, the examination indicates that the retired employee is  
28 no longer incapacitated because of an occupational disability, the  
29 administrator may not issue further disability benefits to the  
employee.

1 \* Sec. 13. AS 39.35.680(4) is amended to read:

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

13 \* Sec. 14. AS 39.35.680(8) is amended to read:

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

24 \* Sec. 15. AS 39.35.680 is amended by adding a new paragraph to read:

25 (40) "payroll year" means the period that includes the first  
26 pay period ending in January of a year through the last pay period  
27 ending in December of that year.

28 \* Sec. 16. Notwithstanding AS 39.35.340(b) or (e), interest does not  
29 accrue on service claimed under AS 39.35.340(i), enacted by sec. 9 of this

1 Act, until one year following the effective date of this Act or one year  
2 following the date on which a person first becomes vested, whichever is  
3 later.

4 \* Sec. 17. Retired employees, deferred vested employees, and surviving  
5 spouses on the effective date of this Act are entitled to claim credited  
6 service or increased benefits for service claimed under sec. 9 of this Act  
7 in accordance with AS 39.35.340(c), (e), and (g).

8 \* Sec. 18. Nothing in secs. 10, 11, or 12 of this Act shall be con-  
9 strued to reduce the benefits to which an employee hired before the effec-  
10 tive date contained in sec. 20 of this Act is entitled.

11 \* Sec. 19. Sections 10 - 12 of this Act are retroactive to July 1,  
12 1976.

13 \* Sec. 20. Sections 10 - 12, 18, and 19 of this Act take effect immedi-  
14 ately in accordance with AS 01.10.070(c).