

**HB**

**475**

**HFIN**

**FILE**



# FISCAL NOTE

STATE OF ALASKA  
2006 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: CSHB 475(STA)  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction) \_\_\_\_\_ Dept. Affected: Administration  
Title An Act relating to public employees' and teachers' retirement defined contribution retirement plans. RDU Centralized Administrative Services  
Sponsor Representative Seaton Component Retirement and Benefits  
Requester House Finance Committee Component No. 64

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include initiation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES (</b>						
-----------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbrevi						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

HB 475 is a bill that provides clarifying revisions to SB 141 passed by the 24th Alaska Legislature and enacted as ch. 9, FSSLA 2005. Some of the provisions include the following: identifies a funding source for teachers' disability and death benefits; identifies a funding source for disabled police/fire members who elect a monthly retirement benefit under 39.35.890(h)(2); clarifies periods of disability and death benefits to constitute membership service; clarifies that a member or survivor is not entitled to elect distributions from the member's individual account while receiving disability or death benefits; makes conforming changes to meet IRC requirements.

This bill has no fiscal impact on the Division of Retirement and Benefits. Please see page two for the analysis required by AS 24.08.036.

Prepared by: Melanie Millhorn, Director Phone: 465-4408  
Division: Retirement and Benefits Date/Time: 4/12/06  
Approved by: Mike Tibbles, Deputy Commissioner Date: 4/12/2005  
Agency: Department of Administration

THE  
FOLLOWING  
DOCUMENT(S)  
ARE  
POOR  
ORIGINAL  
COPIES

FISCAL NOTE

STATE OF ALASKA  
2006 LEGISLATIVE SESSION

BILL NO. CSHB 475(STA)

Page 2 of 2

ANALYSIS CONTINUATION

Sec. 24.08.036. Fiscal notes on bills affecting state retirement systems. Before a bill which would have an effect on the retirement systems of the state is reported to the rules committee, there shall be attached to the bill an analysis of the long-term and short-term costs to the state if the bill is adopted, as well as the impact of the bill on the actuarial soundness of the fund. The analysis is in addition to the fiscal note requirements of AS 24.08.035.

The legislature passed Senate Bill 141, enacted as Ch. 9 FSSLA 2005, establishing defined contribution retirement plans for new members of the PERS and TRS first enrolled on or after July 1, 2006. It was important to the legislature that members of the defined contribution retirement plans receive death and disability benefits commensurate with the death and disability benefits available to members of the defined benefit plans. As a result of this plan structure combining certain guaranteed fixed benefits with defined contribution benefits, these plans are hybrid plans under the Internal Revenue Code sec. 414(k).

There were some oversights in the drafting of the original legislation so that it lacked explicit statutory authority for funding of some of the fixed benefits contained in the plans. HB 475 contains the conforming amendments necessary to pay all the benefits required in accordance with the intent of the new defined contribution retirement plans as enacted by the legislature. Specifically, HB 475 adds the following:

- Annual COLA for recipients of disability benefits.
- Annual COLA for recipients of a survivor's pension.
- Medical premium cost-sharing for disabled and survivors at normal retirement.
- Funding for disabled police/fire members who choose a monthly retirement pension.
- Annual COLA for disabled police/fire members who choose a monthly retirement pension.

The State's actuary, Buck Consultants, developed cost estimates for these benefits (see letter attached to this fiscal note). The total combined increase to the employers of the PERS and TRS in FY 2007 is approximately \$147,200. The table below breaks out the dollar cost estimates for each retirement system based on the projected payroll for the PERS and TRS Defined Contribution Retirement Plans in FY 2007:

Benefit	PERS "Others" Rate	PERS Others Costs (Payroll)	PERS P/F Rate	PERS P/F Costs (Payroll \$17.0 m)	Total PERS Costs	TRS Rate	TRS Costs (Payroll \$69.8 m)
COLA	0.048%	\$ 64,032	0.214%	\$ 36,380	\$ 100,412	0.038%	\$ 26,524
Disabled P/F Pension at Normal Retirement	N/A	N/A	0.119%	\$ 20,230	\$ 20,230	N/A	N/A
Medical cost-sharing at Normal Retirement	0.019%	•	0.176%	•	•	0.019%	•

\* The rates established under AS 14.25.350(c) and AS 39.35.750(c) for FY 2007 retiree major medical insurance contributions are sufficient to absorb these costs. The actuary's cost estimate of the new tier medical plans was 1.5% of payroll; however, the legislature established an FY 2007 rate of 1.75%. All future rates for retiree medical benefits, as well as all costs related to occupational disability, occupational death, and disabled P/F retirement, will be based upon actuarial calculation and adopted by the Alaska Retirement Management Board (per AS 14.25.350(b) and AS 39.35.750(b)). The long-term costs will vary by plan experience. However, Buck made these cost estimates based on PERS Tier 3 and TRS Tier 2 members, expecting the experience of the new tiers to be reflective of that population. As PERS Tier 4 and TRS Tier 3 plan membership grows annually, these rates (as actuarially calculated) would be applied to the annual payroll base.

Separate trust accounts will be established in which all contributions and earnings will be deposited to pay the guaranteed fixed benefits associated with the occupational disability and occupational death provisions (including disabled P/F retirement) of the defined contribution retirement plans. Absent the increased rates as noted above (contained in Sec. 73 and Sec. 77 of HB 475), the employers will not contribute in FY 2007 to these trust accounts an amount sufficient to pay for the death and disability benefits for their members. As a result, the initial health of the trust funds for death and disability benefits may be considered not actuarial sound in order to properly pay future benefits to members from these trust funds.

HOUSE FINANCE  
COMMITTEE  
ROLL CALL

*Passes*

DATE: April 19, 2006

Amendment: HB 475

MEMBER

Favor

Oppose

HOLM	✓	
JOULE		✓
KELLY	✓	
KERTTULA		✓
MOSES		✓
STOLTZE	✓	
WEYHRAUCH		✓
FOSTER	✓	
HAWKER	✓	
MEYER	✓	
CHENAULT	✓	

7

4

*adopted*  
*4-19-06*  
*7-3*

*passes*

24-LS1685S.2  
Wayne  
4/18/06

AMENDMENT

④

OFFERED IN THE HOUSE

TO: CSHB 475( ), Draft Version "S"

1 Page 4, line 8:

2 Delete "AS 14.25.485 and 14.25.487"

3 Insert "AS 14.25.310 - 14.25.590"

4

5 Page 9, lines 21 - 23:

6 Delete "[BENEFICIARIES] based on the deceased member's gross monthly  
7 compensation at the time of occupational death

8 [(1)]"

9 Insert "[BENEFICIARIES BASED ON THE DECEASED MEMBER'S GROSS  
10 MONTHLY COMPENSATION AT THE TIME OF OCCUPATIONAL DEATH

11 (1)]"

12

13 Page 19, lines 12 - 13:

14 Delete "AS 39.35.890 and 39.35.892"

15 Insert "AS 39.35.700 - 39.35.990"

16

17 Page 25, lines 26 - 28:

18 Delete "[BENEFICIARIES] based on the deceased employee's gross monthly  
19 compensation at the time of occupational death

20 [(1)]"

21 Insert "[BENEFICIARIES BASED ON THE DECEASED EMPLOYEE'S GROSS  
22 MONTHLY COMPENSATION AT THE TIME OF THE OCCUPATIONAL DEATH

23 (1)]"

# HOUSE FINANCE COMMITTEE ROLL CALL

DATE: 4-12-96

Amendment: Minor

MEMBER

Favor

Oppose

HAWKER		✓
HOLM	✓	
JOULE	✓	
KELLY	✓	
KERTTULA		✓
MOSES		✓
STOLTZE	✓	
WEYHRAUCH	✓	
FOSTER	✓	
CHENAULT	—	
MEYER	✓	

*Pass*

7

3

*R.O. 4-19  
as amended*

*adopted* → *4/12/06*

24-LS1685S  
Wayne  
4/11/06

CS FOR HOUSE BILL NO. 475( )  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-FOURTH LEGISLATURE - SECOND SESSION

BY

Offered:  
Referred:

Sponsor(s): REPRESENTATIVE SEATON

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the supplemental employee benefit program; relating to teachers'  
 2 and public employees' defined benefit retirement plans; relating to teachers' and public  
 3 employees' defined contribution retirement plans; relating to the health reimbursement  
 4 arrangement plan for certain teachers and public employees; clarifying eligibility for  
 5 membership in the health reimbursement arrangement plan; relating to waiver of  
 6 adjustments under the teachers' defined benefit retirement plan and the public  
 7 employees' defined benefit retirement plan; relating to the administrator of the Public  
 8 Employees' Retirement System of Alaska; relating to employer contributions for  
 9 occupational disability and death benefits; repealing participation in the teachers'  
 10 defined contribution and defined benefit retirement plans by certain employees of the  
 11 National Education Association of Alaska; relating to requirements for employer  
 12 minimum contributions to the teachers' and the public employees' defined benefit

24-LS1685S  
Wayne  
4/11/06

CS FOR HOUSE BILL NO. 475( )  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-FOURTH LEGISLATURE - SECOND SESSION

BY

Offered:  
Referred:

Sponsor(s): REPRESENTATIVE SEATON

A BILL  
FOR AN ACT ENTITLED

1 "An Act relating to the supplemental employee benefit program; relating to teachers'  
2 and public employees' defined benefit retirement plans; relating to teachers' and public  
3 employees' defined contribution retirement plans; relating to the health reimbursement  
4 arrangement plan for certain teachers and public employees; clarifying eligibility for  
5 membership in the health reimbursement arrangement plan; relating to waiver of  
6 adjustments under the teachers' defined benefit retirement plan and the public  
7 employees' defined benefit retirement plan; relating to the administrator of the Public  
8 Employees' Retirement System of Alaska; relating to employer contributions for  
9 occupational disability and death benefits; repealing participation in the teachers'  
10 defined contribution and defined benefit retirement plans by certain employees of the  
11 National Education Association of Alaska; relating to requirements for employer  
12 minimum contributions to the teachers' and the public employees' defined benefit

1 retirement systems; relating to the public employees' defined benefit deferred  
2 compensation program; and providing for an effective date."

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

4 \* Section 1. AS 14.25.070(a) is amended to read:

5 (a) An employer shall make contributions to the plan in accordance with this  
6 section and as certified by the board in an amount sufficient, after subtracting  
7 member contributions, to provide the benefits of AS 14.25.009 - 14.25.220. The  
8 amount shall be calculated by applying the employer normal cost rate to the sum  
9 total of the base salaries paid to members in the plan and by applying the past  
10 service rate to the sum total of the base salaries paid to members in the system  
11 [AN EMPLOYER CONTRIBUTION RATE, CERTIFIED BY THE BOARD,  
12 AGAINST THE SUM TOTAL OF THE BASE SALARIES PAID TO MEMBERS],  
13 including any adjustments to contributions required by AS 14.25.173(a). The  
14 employer shall remit this amount to the administrator in accordance with  
15 AS 14.25.065.

16 \* Sec. 2. AS 14.25.070 is amended by adding new subsections to read:

17 (d) In (a) of this section, "employer normal cost rate" means the percentage of  
18 compensation of all active members in the plan that, when combined with the member  
19 contribution rate of active members in the plan, is sufficient to provide the benefits  
20 that are expected to be credited with respect to service during the year beginning after  
21 the last valuation date. This percentage is uniformly determined for all employers and  
22 is applicable to each employer.

23 (e) In (a) of this section, "past service rate" means the percentage of  
24 compensation of all active members in the system necessary to provide the annual  
25 amount required to amortize the unfunded obligations of the employers for benefits  
26 earned by members in the plan before the date of the last actuarial valuation over a  
27 period not to exceed the maximum period allowed by generally accepted accounting  
28 principles of the Governmental Accounting Standards Board. This percentage is  
29 uniformly determined for all employers and is applicable to each employer.

30 \* Sec. 3. AS 14.25.070 is amended by adding a new subsection to read:

1 (f) The employer contribution rate may not be less than the rate required, after  
2 subtracting the member contribution rate, to fully fund the actuarially calculated  
3 benefits expected to be earned by active members during the fiscal year.

4 \* Sec. 4. AS 14.25.125(c) is amended to read:

5 (c) Membership service for which contributions were refunded is not  
6 creditable under this section [UNLESS THE REFUNDED CONTRIBUTIONS HAVE  
7 BEEN REPAID. FOR PURPOSES OF THIS SECTION, A MEMBER OR FORMER  
8 MEMBER DOES NOT HAVE TO BE REEMPLOYED UNDER THIS PLAN IN  
9 ORDER TO REPAY REFUNDED CONTRIBUTIONS. COMPOUND INTEREST  
10 AT THE RATE PRESCRIBED BY REGULATION MUST BE ADDED TO THE  
11 REINSTATEMENT INDEBTEDNESS FROM THE DATE OF THE REFUND TO  
12 THE DATE OF REPAYMENT].

13 \* Sec. 5. AS 14.25.320(b), as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

14 (b) The defined contribution retirement plan includes a plan in which savings  
15 are accumulated in an individual account for the exclusive benefit of the member or  
16 beneficiaries, and certain fixed occupational death and disability benefits are  
17 paid. The plan is established effective July 1, 2006, at which time contributions by  
18 employers and members begin.

19 \* Sec. 6. AS 14.25.320(c), as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

20 (c) The defined contribution retirement plan is intended to qualify under 26  
21 U.S.C. 401(a), [AND] 414(d), and 414(k) (Internal Revenue Code) as a qualified  
22 retirement plan established and maintained by the state for its employees and for the  
23 employees of school districts and regional educational attendance areas in the state.

24 \* Sec. 7. AS 14.25.340(c), as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

25 (c) The employer shall deduct the contribution from the member's  
26 compensation at the end of each payroll period, and the contribution shall be credited  
27 by the administrator to the member's individual account. To the extent permitted by  
28 federal law, the [THE] contributions shall be deducted from the member's  
29 compensation before the computation of applicable federal taxes and shall be treated  
30 as employer contributions under 26 U.S.C. 414(h)(2). A member may not have the  
31 option of making the payroll deduction directly in cash instead of having the

1 contribution picked up by the employer.

2 \* Sec. 8. AS 14.25.350, as enacted by sec. 35, ch. 9, FSSLA 2005, is amended by adding a  
3 new subsection to read:

4 (e) An employer shall make annual contributions to a trust account in the plan,  
5 applied as a percentage of each member's compensation from July 1 to the following  
6 June 30, in an amount determined by the board to be actuarially required to fully fund  
7 the cost of providing occupational disability and occupational death benefits under  
8 AS 14.25.485 and 14.25.487.

9 \* Sec. 9. AS 14.25.380, as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

10 **Sec. 14.25.380. Limitations on contributions and benefits.** Notwithstanding  
11 any other provisions of this plan, the annual additions to each member's individual  
12 account under this plan and under all defined contribution plans of the employer  
13 required to be aggregated with the contributions from this plan under the provisions of  
14 26 U.S.C. 415 may not exceed, for any limitation year, the amount permitted under 26  
15 U.S.C. 415(c) at any time. If the amount of a member's individual account  
16 [DEFINED CONTRIBUTION PLAN] contributions exceeds the limitation of 26  
17 U.S.C. 415(c) for any limitation year, the administrator shall take any necessary  
18 remedial action to correct an excess contribution. A fixed benefit provided under  
19 this plan may not exceed, for or during a limitation year, the amount permitted  
20 under 26 U.S.C. 415(b). If a fixed benefit provided under this plan exceeds, for or  
21 during a limitation year, the amount permitted under 26 U.S.C. 415(b), the  
22 administrator shall take remedial action necessary to comply with the limits on  
23 the benefit amount in 26 U.S.C. 415(b). The provisions of 26 U.S.C. 415, and the  
24 regulations adopted under that statute, as applied to qualified [DEFINED  
25 CONTRIBUTION] plans of governmental employees are incorporated as part of the  
26 terms and conditions of the plan.

27 \* Sec. 10. AS 14.25.400(b), as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

28 (b) A participant may direct investment of plan funds held in an individual  
29 account among available investment funds in accordance with rules established by the  
30 board.

31 \* Sec. 11. AS 14.25.470(g), as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

1 (g) An eligible person shall make the irrevocable election to participate or not  
2 participate in the retiree major medical insurance plan by reaching 70 1/2 years of age,  
3 or upon application for retirement and medical benefits, whichever is later. The  
4 administrator may require an eligible person who deferred participation in the  
5 retiree major medical insurance plan at the time the person applied for  
6 retirement to show evidence of insurability or provide a letter of coverage when  
7 the person later applies to participate in the retiree major medical insurance  
8 plan. If the person does not establish insurability or provide a letter of coverage,  
9 the administrator may deny participation by the person in the retiree major  
10 med. al insurance plan.

11 \* Sec. 12. AS 14.25.485(b), as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

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

18 (1) dies;

19 (2) recovers from the disability;

20 (3) fails to meet the requirements under (f), (h), or (j) [(h)] of this  
21 section; or

22 (4) reaches normal retirement age.

23 \* Sec. 13. AS 14.25.485(c), as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

24 (c) If the disabled member becomes ineligible to receive occupational  
25 disability benefits before the normal retirement date, the disabled member shall then  
26 be entitled to receive retirement benefits if the member would have been eligible for  
27 the benefit had employment continued during the period of disability. The period of  
28 disability constitutes membership service for the purposes of [IN REGARD TO]  
29 determining eligibility for retirement and medical benefits under this chapter and  
30 AS 39.30.300 - 39.30.495.

31 \* Sec. 14. AS 14.25.485(d), as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

1 (d) The monthly amount of an occupational disability benefit is 40 percent of  
2 the disabled member's gross monthly compensation at the time of termination due to  
3 disability. Notwithstanding AS 14.25.390(b), at the time a member is appointed to  
4 disability, the member becomes fully vested in the employer contributions made  
5 under AS 14.25.350(a). A disabled member is fully vested in the contributions to  
6 the member's individual account made under this subsection. A member is not  
7 entitled to elect distributions from the member's individual contribution account  
8 under AS 14.25.410 while the member is receiving disability benefits under this  
9 section. While a member is receiving disability benefits, based on the disabled  
10 member's gross monthly compensation at the time of termination due to disability, the  
11 employer shall make contributions to the

12 (1) member's individual account under AS 14.25.340 on behalf of the  
13 member, without deduction from the member's disability payments; and

14 (2) appropriate accounts and funds on behalf of the member under  
15 AS 14.25.350.

16 \* Sec. 15. AS 14.25.485(g), as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

17 (g) A disabled member's occupational disability benefit terminates the last  
18 day of the month following the date [WHEN] the disabled member first qualifies  
19 [ATTAINS ELIGIBILITY] for normal retirement. At that time, the member's  
20 retirement benefit shall be determined under the provisions of AS 14.25.420 -  
21 14.25.440, 14.25.470, and 14.25.480. A member whose occupational disability  
22 benefit terminates under this subsection [RECEIVING DISABILITY BENEFITS  
23 UP UNTIL ELIGIBILITY FOR RETIREMENT] shall be considered to have retired  
24 directly from the plan.

25 \* Sec. 16. AS 14.25.485(i), as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

26 (i) Upon the death of a disabled member who is receiving or is entitled to  
27 receive an occupational disability benefit, the administrator shall pay the surviving  
28 spouse a surviving spouse's pension, equal to 40 percent of the member's monthly  
29 compensation at the termination of employment because of occupational disability. If  
30 there is no surviving spouse, the administrator shall pay the survivor's pension in equal  
31 parts to the dependent children of the member. While the monthly survivor's

1 pension is being paid, the survivor is not entitled to elect distributions from the  
2 employee's individual contribution account under AS 14.25.410. The first payment  
3 of the surviving spouse's pension or of a dependent child's pension shall accrue from  
4 the first day of the month following the member's death and is payable the last day of  
5 the month. The last payment shall be made the last day of [FOR] the last month in  
6 which there is an eligible surviving spouse or dependent child, or the last day of the  
7 month following the earliest date the member would have first qualified for  
8 normal retirement if the member had survived, whichever day comes sooner. A  
9 retirement benefit shall be determined under the provisions of AS 14.25.420 -  
10 14.25.440, 14.25.470, and 14.25.480 based on [ ON] the date the member would  
11 have first qualified for normal retirement [OF THE MEMBER WOULD HAVE  
12 OCCURRED] if the member had survived. In addition to the payment of the  
13 member's individual account, the surviving spouse or, if there is no surviving  
14 spouse, the surviving dependent children of the member, shall receive an  
15 additional benefit in an amount equal to the accumulated contributions that  
16 would have been made to the deceased member's individual account under  
17 AS 14.25.340(a) and 14.25.350(a), based on the deceased member's gross monthly  
18 compensation at the time of occupational disability, from the time of the  
19 member's death to the date the member would have first qualified for normal  
20 retirement if the member had survived. Earnings shall be allocated to the  
21 additional benefit calculated under this subsection based on the actual rate of  
22 return, net of expenses, of the trust account established under AS 14.25.350(e)  
23 over the period that the contributions would have been made. This additional  
24 amount shall be paid in the same manner as determined for the member's  
25 individual account under AS 14.25.420 - 14.25.460. For the purpose of  
26 determining eligibility of a survivor who is receiving a benefit under this  
27 subsection for medical benefits under AS 14.25.470 - 14.25.480, a [LIVED, THE  
28 RETIREMENT BENEFIT SHALL BE DETERMINED UNDER THE PROVISIONS  
29 OF AS 14.25.420 - 14.25.440, 14.25.470, AND 14.25.480. A] member who died  
30 while receiving disability benefits shall be considered to have retired directly from the  
31 plan on the date the member would have first qualified for normal retirement [OF

1 THE MEMBER WOULD HAVE OCCURRED] if the member had survived. The  
2 period during which the member was eligible for a disability benefit and the  
3 period during which a survivor's pension is paid to a survivor under this  
4 subsection each constitute membership service for the purposes of determining  
5 vesting in employer contributions under AS 14.25.390(b) and eligibility for  
6 retirement and medical benefits under this chapter and AS 39.30.300 - 39.30.495  
7 [LIVED].

8 \* Sec. 17. AS 14.25.485(j), as enacted by sec. 35, ch. 9, FSS1.A 2005, is amended to read:

9 (j) In this section, "occupational disability" means a physical or mental  
10 condition that the administrator determines presumably permanently prevents  
11 an employee from satisfactorily performing the employee's usual duties or the  
12 duties of another comparable position or job available to the employee and for  
13 which the employee is qualified by training or education; however, the proximate  
14 cause of the condition must be a bodily injury sustained, or a hazard undergone,  
15 while in the performance and within the scope of the employee's duties and not  
16 the proximate result of the wilful negligence of the employee [HAS THE  
17 MEANING GIVEN IN AS 39.35.680].

18 \* Sec. 18. AS 14.25 is amended by adding a new section to read:

19 Sec. 14.25.486. Disability benefit adjustment. (a) Once each year, the  
20 administrator shall increase disability benefits. The amount of the increase is a  
21 percentage of the current disability benefit equal to the lesser of 75 percent of the  
22 increase in the cost of living in the preceding calendar year or nine percent.

23 (b) If a disabled member was not receiving a benefit during the entire  
24 preceding calendar year, the increase in the benefit under this section shall be adjusted  
25 by multiplying it by a fraction, the numerator of which is the number of months for  
26 which the benefit was received in the preceding calendar year and the denominator of  
27 which is 12.

28 (c) An increase in benefit payments under this section is effective July 1 of  
29 each year and is based on the percentage increase in the Consumer Price Index for  
30 urban wage earners and clerical workers for Anchorage, Alaska, during the previous  
31 calendar year, as determined by the United States Department of Labor, Bureau of

1 Labor Statistics.

2 (d) Benefit adjustments under this section shall terminate the last day of the  
3 month following the date on which a disabled member is no longer receiving a  
4 disability benefit under AS 14.25.485.

5 \* Sec. 19. AS 14.25.487(b), as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

6 (b) The first payment of the surviving spouse's pension or of a dependent  
7 child's pension shall be made for the month following the month in which the member  
8 dies. Payments [ , AND PAYMENT] shall cease on the last day of the month in  
9 which there is no longer an eligible spouse or eligible dependent child, or the last  
10 day of the month following the earliest date [TO BE MADE BEGINNING WITH  
11 THE MONTH IN WHICH] the member would have first qualified for normal  
12 retirement if the member had survived, whichever day is sooner.

13 \* Sec. 20. AS 14.25.487(c), as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

14 (c) The monthly survivor's pension in (b) of this section for survivors of  
15 members is 40 percent of the member's monthly compensation in the month in which  
16 the member dies. While the monthly survivor's pension is being paid, the survivor  
17 is not entitled to elect distributions from the member's individual contribution  
18 account under AS 14.25.410, except as required by AS 14.25.440. While the  
19 monthly survivor's pension is being paid, the employer shall make contributions on  
20 behalf of the member's surviving spouse and member's surviving dependent  
21 children [BENEFICIARIES] based on the deceased member's gross monthly  
22 compensation at the time of occupational death

23 [(1) TO THE MEMBER'S INDIVIDUAL ACCOUNT UNDER  
24 AS 14.25.340, WITHOUT DEDUCTION FROM THE SURVIVOR'S PENSION;  
25 AND

26 (2)] to the appropriate accounts and funds [ON BEHALF OF THE  
27 MEMBER] under AS 14.25.350(b) - (e).

28 \* Sec. 21. AS 14.25.487(e), as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

29 (e) On the date the member would have first qualified for normal retirement  
30 [OF THE MEMBER WOULD HAVE OCCURRED] if the member had survived  
31 [LIVED], the retirement benefit shall be determined under the provisions of

1 AS 14.25.420 - 14.25.440, 14.25.470, and 14.25.480. In addition to payment of the  
2 member's individual account, the surviving spouse or, if there is no surviving  
3 spouse, the surviving dependent children of the member, shall receive an  
4 additional benefit in an amount equal to the accumulated contributions that  
5 would have been made to the deceased member's individual account under  
6 AS 14.25.340(a) and 14.25.350(a), based on the deceased member's gross monthly  
7 compensation at the time of the member's occupational death, from the time of  
8 the member's death to the date the member would have first qualified for normal  
9 retirement if the member had survived. Earnings shall be allocated to the  
10 additional benefit calculated under this subsection based on the actual rate of  
11 return, net of expenses, of the trust account established under AS 14.25.350(e)  
12 over the period that the contributions would have been made. This additional  
13 amount shall be paid in the same manner as determined for the member's  
14 individual account under AS 14.25.420 - 14.25.460. A member who died and whose  
15 survivors receive occupational death benefits under this section shall be considered to  
16 have retired directly from the plan on the date the [NORMAL RETIREMENT OF  
17 THE] member would have first qualified for normal retirement [OCCURRED] if  
18 the member had survived. The period of time during which a survivor's pension is  
19 paid under this section constitutes membership service for the purposes of  
20 determining vesting in employer contributions under AS 14.25.390(b) and  
21 eligibility for retirement and medical benefits under this chapter and  
22 AS 39.30.300 - 39.30.495 [LIVED].

23 \* Sec. 22. AS 14.25 is amended by adding new sections to read:

24 Sec. 14.25.488. Survivor's pension adjustment. (a) Once each year, the  
25 administrator shall increase payments to a person 60 years of age or older receiving a  
26 survivor's pension under AS 14.25.485(i) or 14.25.487(c) and to a person who has  
27 received a survivor's pension under AS 14.25.485(i) or 14.25.487(c) for at least eight  
28 years, who is not otherwise eligible for an increase under this section.

29 (b) The amount of the increase is a percentage of the current survivor's  
30 pension equal to the lesser of 50 percent of the increase in the cost of living in the  
31 preceding calendar year or six percent.

1 (c) If a survivor was not receiving a pension during the entire preceding  
2 calendar year, the increase in the survivor's pension under this section shall be  
3 adjusted by multiplying it by a fraction, the numerator of which is the number of  
4 months for which the pension was received in the preceding calendar year and the  
5 denominator of which is 12.

6 (d) The administrator shall increase the initial survivor's pension paid to a  
7 survivor of a member who died while receiving disability benefits by a percentage  
8 equal to the total cumulative percentage that has been applied to the member's  
9 disability benefit under AS 14.25.486.

10 (e) An increase in benefit payments under this section is effective July 1 of  
11 each year and is based on the percentage increase in the Consumer Price Index for  
12 urban wage earners and clerical workers for Anchorage, Alaska, during the previous  
13 calendar year, as determined by the United States Department of Labor, Bureau of  
14 Labor Statistics.

15 (f) Pension adjustments under this section shall terminate the last day of the  
16 month following the date on which a survivor is no longer receiving a survivor's  
17 pension under AS 14.25.485(i) or 14.25.487(c).

18 **Sec. 14.25.489. Premiums for retiree major medical insurance coverage**  
19 **upon termination of disability benefits or survivor's pension.** The premium for  
20 retiree major medical insurance coverage payable by a member whose disability  
21 benefit is terminated under AS 14.25.485(g) or by an eligible survivor whose survivor  
22 pension is terminated under AS 14.25.485(i) or 14.25.487(e) when the member would  
23 have been eligible for normal retirement if the member had survived shall be  
24 determined under AS 14.25.480(g)(2) as if the member or survivor were eligible for  
25 Medicare.

26 \* Sec 23. AS 14.25.510, as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

27 **Sec. 14.25.510. Nonguarantee of returns, rates, or benefit amounts.** The  
28 plan created by AS 14 25.310 - 14.25.590 is, with respect to individual accounts,  
29 treated as a defined contribution plan and [PLAN,] not a defined benefit plan. The  
30 amount of money in the individual account of a participant depends on the amount of  
31 contributions and the rate of return from investments of the account that varies over

1 time. If benefits are paid in the form of an annuity, the benefit amount payable is  
2 dependent on the amount of money in the account and the interest rates applied and  
3 service fees charged by the annuity payor at the time the annuity is purchased from  
4 the carrier and benefits are first paid. Nothing in this plan guarantees a participant

5 (1) a rate of return or interest rate other than that actually earned by the  
6 account of the participant, less applicable administrative expenses; or

7 (2) an annuity based on interest rates or service charges other than  
8 interest rates available from and service charges by the annuity payor in effect at the  
9 time the annuity is paid.

10 \* Sec. 24. AS 14.25.540(c), as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

11 (c) Each eligible member who elects to participate in the defined contribution  
12 retirement plan shall have transferred to a new account the member contribution  
13 account balance held in trust for the member under the defined benefit retirement plan  
14 of the teachers' retirement system. A matching employer contribution shall be made on  
15 behalf of that employee to the new account. The employer shall make the matching  
16 contribution from funds other than the trust funds of the defined benefit retirement  
17 plan. The amount of the matching employer contribution shall be subject to, and  
18 may not exceed, the limitation of 26 U.S.C. 415(c) during the applicable limitation  
19 year in which the contribution is made.

20 \* Sec. 25. AS 14.25.540(d), as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

21 (d) Upon a transfer, all membership service previously earned under the  
22 defined benefit retirement plan shall be nullified for purposes of entitlement to a future  
23 benefit under the defined benefit retirement plan but shall be credited for purposes of  
24 determining vesting in employer contributions under AS 14.25.390(b) and  
25 eligibility to elect medical benefits under AS 14.25.470. Membership service allowed  
26 for credit toward medical benefits does not include any service credit purchased under  
27 AS 14.25.075 for employment by an employer who is not a participating employer in  
28 this chapter.

29 \* Sec. 26. AS 14.25.540(h), as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

30 (h) A member who is eligible to elect transfer to the defined contribution  
31 plan must make the election not later than 12 months after the member's

1        employer notifies the administrator that the member's employer consents to  
2        transfers of its members under (i) of this section. The election to participate in the  
3        defined contribution retirement plan must be made in writing on forms and in the  
4        manner prescribed by the administrator. Before accepting an election to participate in  
5        the defined contribution retirement plan, the administrator must provide the employee  
6        planning on making an election to participate in the defined contribution retirement  
7        plan with information, including calculations to illustrate the effect of moving the  
8        employee's retirement plan from the defined benefit retirement plan to the defined  
9        contribution retirement plan as well as other information to clearly inform the  
10       employee of the potential consequences of the employee's election. An election made  
11       under this subsection to participate in the defined contribution retirement plan is  
12       irrevocable. Upon making the election, the participant shall be enrolled as a member  
13       of the defined contribution retirement plan, the member's participation in the plan shall  
14       be governed by the provisions of AS 14.25.310 - 14.25.590, and the member's  
15       participation in the defined benefit retirement plan under AS 14.25.009 - 14.25.220  
16       shall terminate. The participant's enrollment in the defined contribution retirement  
17       plan shall be effective the first day of the month after the administrator receives the  
18       completed enrollment forms. An election made by an eligible member who is married  
19       is not effective unless the election is signed by the individual's spouse.

20       \* Sec. 27. AS 14.25.540(i), as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

21                (i) A member may make an election under this section only if the member's  
22        employer participates in both the defined benefit retirement plan and the defined  
23        contribution retirement plan and consents to transfers under this section. The employer  
24        shall notify the administrator if the employer consents to allowing the employer's  
25        members to choose to transfer from the defined benefit retirement plan to the defined  
26        contribution retirement plan under this section. The initial period during which the  
27        employer's members may choose to transfer commences on the first day of the  
28        month following the administrator's receipt of notice under this subsection and  
29        continues for 12 months. An employer may consent to a second period of 12  
30        months during which the employer's members may choose to transfer from the  
31        defined benefit retirement plan to the defined contribution retirement plan under

1 this section. The second period commences on the first day of the month  
2 following the administrator's receipt of notice under this subsection and  
3 continues for 12 months. An employer's initial notice to allow transfers is  
4 irrevocable and applicable to all eligible employees of the employer. An employer's  
5 second notice to allow transfers under this section is irrevocable and applicable  
6 only to those eligible employees to whom the initial period of transfer was not  
7 available.

8 \* Sec. 28. AS 14.25.540(j), as enacted by sec. 35, ch. 9, F-SSLA 2005, is amended by adding  
9 a new paragraph to read:

10 (3) "membership service" has the meaning given in AS 14.25.220 and  
11 does not include any service for which reinstatement indebtedness has not been fully  
12 paid.

13 \* Sec. 29. AS 39.30.160(a) is amended to read:

14 (a) The Department of Administration shall, in accordance with policies  
15 prescribed by regulations adopted by the commissioner [OF THE ALASKA  
16 RETIREMENT MANAGEMENT BOARD], provide to employees for whom special  
17 individual employee benefit accounts are established under AS 39.30.150(c) the  
18 following benefit options:

- 19 (1) supplemental health benefits;
- 20 (2) supplemental death benefits;
- 21 (3) supplemental disability benefits; and
- 22 (4) supplemental dependent care benefits.

23 \* Sec. 30. AS 39.30.160(e) is amended to read:

24 (e) Regulations adopted by the commissioner [BOARD] implementing  
25 AS 39.30.150 and this section are not subject to AS 44.62 (Administrative Procedure  
26 Act).

27 \* Sec. 31. AS 39.30 is amended by adding a new section to read:

28 Sec. 39.30.165. Appeals. A final decision made under AS 39.30.150 -  
29 39.30.180 is subject to appeal under AS 44.64.

30 \* Sec. 32. AS 39.30 is amended by adding a new section to read:

31 Sec. 39.30.335. Appeals. A final decision made under AS 39.30.300 -

1 39.30.495 is subject to appeal under AS 44.64.

2 \* Sec. 33. AS 39.30.370, as enacted by sec. 80, ch. 9, FSSLA 2005, is amended to read:

3 **Sec. 39.30.370. Contributions by employers.** For each member of the plan,  
4 an employer shall contribute to the teachers' and public employees' retiree health  
5 reimbursement arrangement plan trust fund an amount equal to three percent of the  
6 average annual compensation of all employees of employers in the plan  
7 [EMPLOYER'S AVERAGE ANNUAL EMPLOYEE COMPENSATION]. The  
8 administrator shall maintain a record for each member to account for employer  
9 contributions on behalf of that member. The board shall establish by regulation the  
10 rate of interest to be applied annually to the amount in a member's individual account.

11 \* Sec. 34. AS 39.30.380, as enacted by sec. 80, ch. 9, FSSLA 2005, is amended to read:

12 **Sec. 39.30.380. Termination of employment.** A person who terminates  
13 employment before meeting the eligibility requirements of AS 39.30.390  
14 [AS 14.25.470 OR AS 39.35.870] loses any right to the contributions made on behalf  
15 of the person to the teachers' and public employees' retiree health reimbursement  
16 arrangement trust fund. If a person returns to employment with a participating  
17 employer by December 31 of the year in which the person reaches 65 years of age, the  
18 person's account balance shall be restored in the amount recorded on the date of  
19 termination from the trust, adjusted for inflation at the rate of the Consumer Price  
20 Index for Anchorage, Alaska. The earlier period of employment with a participating  
21 employer shall be credited toward eligibility for medical benefits.

22 \* Sec. 35. AS 39.30.390, as enacted by sec. 80, ch. 9, FSSLA 2005, is amended to read:

23 **Sec. 39.30.390. Eligibility and reimbursement.** Persons who meet the  
24 eligibility requirements of AS 14.25.470 or [AND] AS 39.35.870 are eligible for  
25 reimbursements from the individual account established for a member under the plan.  
26 except members do not have to retire directly from the system. A person who is the  
27 dependent child of an eligible member is eligible for reimbursements if the eligible  
28 member and surviving spouse have both died so long as the person meets the  
29 definition of dependent child.

30 \* Sec. 36. AS 39.35.250 is amended to read:

31 **Sec. 39.35.250. Calculation of employer's contribution rate.** (a) An

1 employer shall make contributions to the plan in amounts determined in accordance  
2 with this section. For the purposes of this section and AS 39.35.270, the [PAST  
3 SERVICE DATE FOR EACH EMPLOYER IS THE ENTRY DATE OF THE  
4 EMPLOYER OR DECEMBER 31, 1972, WHICHEVER IS LATER. AFTER  
5 DECEMBER 31, 1972, IF AMENDMENTS TO AS 39.35.095 - 39.35.680 ARE  
6 ENACTED THAT SUBSTANTIALLY AFFECT BENEFITS ACCRUED BEFORE  
7 THE EFFECTIVE DATE OF THE AMENDMENT, THE PAST SERVICE DATE  
8 WILL BE CHANGED TO DECEMBER 31 OF THE YEAR IMMEDIATELY  
9 PRECEDING THAT IN WHICH THE AMENDMENT IS ENACTED. THE]  
10 contribution rate is the sum of the consolidated employer normal cost rate and the  
11 past service rate as certified by the board.

12 (b) In (a) of this section, "consolidated employer normal cost rate" means the  
13 percentage of compensation of all active employees in the plan which, [IF PAID  
14 OVER THE PERIOD OF THEIR CREDITED SERVICE AFTER THEIR PAST  
15 SERVICE DATE AND] when combined with all employee contributions to the plan,  
16 is sufficient to provide the benefits earned during the year beginning after the last  
17 valuation date [AFTER SUCH PAST SERVICE DATES]. This percentage is  
18 [UNIFORMLY] determined at the plan level for all employers and is applicable to  
19 each employer.

20 (c) In (a) of this section, "past service rate" means the percentage of  
21 compensation of all active employees in the system [PLAN] necessary to provide the  
22 annual amount required to amortize the unfunded obligations of the employer for  
23 benefits earned by the employer's members in the plan before the date of the last  
24 actuarial valuation [EMPLOYER'S PAST SERVICE DATE] over a period not to  
25 exceed the maximum allowed by generally accepted accounting principles of the  
26 Governmental Accounting Standards Board [40 YEARS. THE PERIOD OF  
27 AMORTIZATION BEGINS AT THE PAST SERVICE DATE OF EACH  
28 EMPLOYER]. The percentage is separately determined for each employer.

29 \* Sec. 37, AS 39.35.270(a) is amended to read:

30 (a) The amount of each employer's contributions shall be determined by  
31 applying the consolidated employer normal cost [EMPLOYER'S

1 CONTRIBUTION] rate [, AS CERTIFIED BY THE BOARD,] to the total  
2 compensation paid to the employer's active employees of the plan and by applying  
3 the employer's past service rate to the total compensation paid to the employer's  
4 active employees in the system [EMPLOYER] for each payroll period, [AND BY]  
5 including any adjustments to contributions required by AS 39.35.520(a). This amount  
6 shall be remitted by the employer to the administrator in accordance with  
7 AS 39.35.610.

8 \* Sec. 38. AS 39.35.270 is amended by adding a new subsection to read:

9 (d) The employer contribution rate may not be less than the rate required, after  
10 subtracting the member contribution rate, to fully fund the actuarially calculated  
11 benefits expected to be earned by active members during a fiscal year.

12 \* Sec. 39. AS 39.35.375(a) is amended to read:

13 (a) An active or inactive member who has never been vested in this plan or in  
14 the teachers' retirement plan under AS 14.25.009 - 14.25.220, who has at least two  
15 years of credited service in this plan, and who has membership service in the teachers'  
16 retirement system may claim credited service in this plan in an amount equal to the  
17 membership service the member has in the teachers' retirement system. The claimed  
18 credited service may be added to service earned under AS 39.35.095 - 39.35.680 to  
19 enable the member to qualify for a public service benefit under this section. The  
20 member may not claim credited service for membership service for which the member  
21 has received a refund under AS 14.25.150 [UNLESS THE MEMBER FULLY PAYS  
22 THE INDEBTEDNESS AS ESTABLISHED UNDER AS 14.25.063]. The member  
23 may not claim credited service in this plan based on unused sick leave under  
24 AS 14.25.115.

25 \* Sec. 40. AS 39.35.385(c) is amended to read:

26 (c) Credited service for which contributions were refunded is not creditable  
27 under this section [UNLESS THE REFUNDED CONTRIBUTIONS HAVE BEEN  
28 REPAYED. FOR PURPOSES OF (a) AND (b) OF THIS SECTION, A MEMBER OR  
29 FORMER MEMBER DOES NOT HAVE TO BE REEMPLOYED UNDER THIS  
30 PLAN IN ORDER TO PAY REFUNDED CONTRIBUTIONS. COMPOUND  
31 INTEREST AT THE RATE PRESCRIBED BY REGULATION SHALL BE ADDED

1 TO THE REINSTATEMENT INDEBTEDNESS FROM THE DATE OF THE  
2 REFUND TO THE DATE OF REPAYMENT].

3 \* Sec. 41. AS 39.35.522(d) is amended to read:

4 (d) A ruling of the [THE] commissioner of administration ~~denying a waiver~~  
5 under this section may be appealed under AS 44.64. The administrative law  
6 judge may reverse the ruling of the commissioner and may impose equitable  
7 conditions on the granting of a waiver [WHICH IT CONSIDERS EQUITABLE].  
8 These conditions may include requiring the member or beneficiary to make additional  
9 contributions to the plan.

10 \* Sec. 42. AS 39.35.680(3) is amended to read:

11 (3) "administrator" means [THE PERSON APPOINTED BY] the  
12 commissioner of administration or the commissioner's designee appointed under  
13 AS 39.35.003 [AS 39.35.050];

14 \* Sec. 43. AS 39.35.710(b), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

15 (b) The defined contribution retirement plan includes [IS] a plan in which  
16 savings are accumulated in an individual retirement account for the exclusive benefit  
17 of the member or beneficiaries. certain fixed occupational death and disability  
18 benefits are paid, and certain fixed retirement and survivor benefits for peace  
19 officers and fire fighters are paid. The plan is established effective July 1, 2006, at  
20 which time contributions by employers and members begin.

21 \* Sec. 44. AS 39.35.710(c), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

22 (c) The retirement plan established by AS 39.35.700 - 39.35.990 is intended to  
23 qualify under 26 U.S.C. 401(a), [AND] 414(d), and 414(k) (Internal Revenue Code)  
24 as a qualified retirement plan established and maintained by the state for its  
25 employees, for the employees of political subdivisions, public corporations, and public  
26 organizations of the state, and for the employees of other employers whose  
27 participation is authorized by AS 39.35.700 - 39.35.990 and who participate in the  
28 plan set out in AS 39.35.700 - 39.35.990.

29 \* Sec. 45. AS 39.35.730(c), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

30 (c) The employer shall deduct the contribution from the member's  
31 compensation at the end of each payroll period, and the contribution shall be credited

1 by the plan to the member's individual account. To the extent permitted by federal  
2 law, the [THE] contributions shall be deducted from the member's compensation  
3 before the computation of applicable federal taxes and shall be treated as employer  
4 contributions under 26 U.S.C. 414(h)(2). A member may not have the option of  
5 making the payroll deduction directly in cash instead of having the contribution picked  
6 up by the employer.

7 \* Sec. 46. AS 39.35.750(e), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

8 (e) An employer shall make annual contributions to a trust account in the  
9 plan, applied as a percentage of each member's compensation from July 1 to the  
10 following June 30, in an amount determined by the board to be actuarially required to  
11 fully fund the cost of providing occupational disability and occupational death benefits  
12 under AS 39.35.890 and 39.35.892 and retirement benefits elected by disabled  
13 peace officers and fire fighters under AS 39.35.890(h)(2). The contribution required  
14 under this subsection for peace officers and fire fighters and the contribution required  
15 under this subsection for other employees shall be separately calculated based on the  
16 actuarially calculated costs for each group of employees.

17 \* Sec. 47. AS 39.35.780, as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

18 Sec. 39.35.780. Limitations on contributions and benefits. Notwithstanding  
19 any other provisions of this plan, the annual additions to each member's individual  
20 account under this plan and under all defined contribution plans of the employer  
21 required to be aggregated with the contributions from this plan under the provisions of  
22 26 U.S.C. 415 may not exceed, for any limitation year, the amount permitted under 26  
23 U.S.C. 415(c) at any time. If the amount of a member's individual account  
24 [DEFINED CONTRIBUTION PLAN] contributions exceeds the limitation of 26  
25 U.S.C. 415(c) for any limitation year, the administrator shall take any necessary  
26 remedial action to correct an excess contribution. A fixed benefit provided under  
27 this plan may not exceed, for or during a limitation year, the amount permitted  
28 under 26 U.S.C. 415(b). If a fixed benefit provided under this plan exceeds, for or  
29 during a limitation year, the amount permitted under 26 U.S.C. 415(b), the  
30 administrator shall take remedial action necessary to comply with the limits on  
31 the benefit amount in 26 U.S.C. 415(b). The provisions of 26 U.S.C. 415, and the

1 regulations adopted under that statute, as applied to qualified [DEFINED  
2 CONTRIBUTION] plans of governmental employees are incorporated as part of the  
3 terms and conditions of the plan.

4 \* Sec. 48. AS 39.35.800(b), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

5 (b) A participant may direct investment of plan funds held in an individual  
6 account among available investment funds in accordance with rules established by the  
7 board.

8 \* Sec. 49. AS 39.35.870(g), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

9 (g) An eligible person must make the irrevocable election to participate or not  
10 participate in the retiree major medical insurance plan by reaching 70 1/2 years of age,  
11 or upon application for retirement and medical benefits, whichever is later. The  
12 administrator may require an eligible person who deferred participation in the  
13 retiree major medical insurance plan at the time the person applied for  
14 retirement to show evidence of insurability or provide a letter of coverage when  
15 the person later applies to participate in the retiree major medical insurance  
16 plan. If the person does not establish insurability or provide a letter of coverage,  
17 the administrator may prohibit participation by the person in the retiree major  
18 medical insurance plan.

19 \* Sec. 50. AS 39.35.890(b), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

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

26 (1) dies;

27 (2) recovers from the disability;

28 (3) fails to meet the requirements under (f), (j), or (l) [(j)] of this

29 section; or

30 (4) reaches normal retirement age.

31 \* Sec. 51. AS 39.35.890(c), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

1 (c) If the disabled employee becomes ineligible to receive occupational  
2 disability benefits before the normal retirement date, the disabled employee shall then  
3 be entitled to receive retirement benefits if the employee would have been eligible for  
4 the benefit had employment continued during the period of disability. The period of  
5 disability constitutes membership service for the purposes of [IN REGARD TO]  
6 determining eligibility for retirement and medical benefits under this chapter and  
7 AS 39.30.300 - 39.30.495.

8 \* Sec. 52. AS 39.35.890(d), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

9 (d) The monthly amount of an occupational disability benefit is 40 percent of  
10 the disabled employee's gross monthly compensation at the time of termination due to  
11 disability. Notwithstanding AS 39.35.790(b), at the time a member is appointed to  
12 disability, the member becomes fully vested in the employer contributions made  
13 under AS 39.35.750(a). A disabled member is fully vested in the contributions to  
14 the member's individual account made under this subsection. An employee is not  
15 entitled to elect distributions from the employee's individual contribution  
16 account under AS 39.35.810 while the employee is receiving disability benefits  
17 under this section. While an employee is receiving disability benefits, based on the  
18 disabled employee's gross monthly compensation at the time of termination due to  
19 disability, the employer shall make contributions

20 (1) to the employee's individual account under AS 39.35.730 on behalf  
21 of the employee, without deduction from the employee's disability payments; and

22 (2) on behalf of the employee under AS 39.35.750.

23 \* Sec. 53. AS 39.35.890(g), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

24 (g) A disabled employee's occupational disability benefit terminates the last  
25 day of the month [WHEN] the disabled employee first qualifies [ATTAINS  
26 ELIGIBILITY] for normal retirement. At that time, the employee's retirement benefit  
27 shall be determined under the provisions of AS 39.35.820 - 39.35.840, 39.35.870, and  
28 39.35.880. An employee whose occupational disability benefit terminates under  
29 this subsection [RECEIVING DISABILITY BENEFITS UP UNTIL ELIGIBILITY  
30 FOR RETIREMENT] shall be considered to have retired directly from the plan.

31 \* Sec. 54. AS 39.35.890(h), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

1 (h) Notwithstanding (g) of this section, at the time a peace officer or fire  
2 fighter receiving occupational disability benefits under this section first attains  
3 eligibility for normal retirement, the employee shall irrevocably elect to receive  
4 retirement benefits in the amount calculated as the

5 (1) employee's retirement benefit calculated under the provisions of  
6 AS 39.35.820 - 39.35.840; or

7 (2) employee's retirement benefit calculated as if the provisions of  
8 AS 39.35.370(c) were to apply; however, retirement benefits paid under this paragraph  
9 must be paid first from the peace officer's or fire fighter's individual contribution  
10 account, and the remaining benefits must be paid from the trust account  
11 established under AS 39.35.750(e); the peace officer or fire fighter may not elect  
12 other distributions from the peace officer's or fire fighter's individual  
13 contribution account under AS 39.35.810 while receiving retirement benefits  
14 under this paragraph [MAY NOT BE MADE FROM THE TRUST FUND OF THE  
15 PUBLIC EMPLOYEES' DEFINED BENEFIT RETIREMENT PLAN].

16 \* Sec. 55. AS 39.35.890(k), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

17 (k) Upon the death of a disabled employee who is receiving or is entitled to  
18 receive an occupational disability benefit, the administrator shall pay the surviving  
19 spouse a surviving spouse's pension, equal to 40 percent of the employee's monthly  
20 compensation at the termination of employment because of occupational disability. If  
21 there is no surviving spouse, the administrator shall pay the survivor's pension in equal  
22 parts to the dependent children of the employee. While the monthly survivor's  
23 pension is being paid, the survivor is not entitled to elect distributions from the  
24 employee's individual contribution account under AS 39.35.810. The first payment  
25 of the surviving spouse's pension or of a dependent child's pension shall accrue from  
26 the first day of the month following the employee's death and is payable the last day of  
27 the month. The last payment shall be made the last day of [FOR] the last month in  
28 which there is an eligible surviving spouse or dependent child, or the last day of the  
29 month following the earliest date the employee would have first qualified for  
30 normal retirement if the employee had survived, whichever day comes sooner. A  
31 retirement benefit shall be determined under the provisions of AS 39.35.820 -

1       39.35.840, 39.35.870, and 39.35.880 based on [ ON] the date the employee would  
2       have first qualified for normal retirement [OF THE EMPLOYEE WOULD HAVE  
3       OCCURRED] if the employee had survived. In addition to payment of the  
4       member's individual account, the surviving spouse or, if there is no surviving  
5       spouse, the surviving dependent children of the member, shall receive an  
6       additional benefit in an amount equal to the accumulated contributions that  
7       would have been made to the deceased member's individual account under  
8       AS 39.35.730(a) and 39.35.750(a), based on the deceased member's gross monthly  
9       compensation at the time of occupational disability, from the time of the  
10       member's death to the date the member would have first qualified for normal  
11       retirement if the member had survived. Earnings shall be allocated to the  
12       additional benefit calculated under this subsection based on the actual rate of  
13       return, net of expenses, of the trust account established under AS 39.35.750(e)  
14       over the period that the contributions would have been made. This additional  
15       amount shall be paid in the same manner as determined for the member's  
16       individual account under AS 39.35.820 - 39.35.860. For the purpose of  
17       determining eligibility of an employee's survivor who is receiving a benefit under  
18       this subsection for medical benefits under AS 39.35.870 - 39.35.880, an employee  
19       [LIVED, THE RETIREMENT BENEFIT SHALL BE DETERMINED UNDER THE  
20       PROVISIONS OF AS 39.35.820 - 39.35.840, 39.35.870, AND 39.35.880. AN  
21       EMPLOYEE] who died while receiving disability benefits shall be considered to have  
22       retired directly from the plan on the date the employee would have first qualified for  
23       normal retirement if the employee had survived. The period during which the  
24       employee was eligible for a disability benefit and the period during which a  
25       survivor's pension is paid to a survivor under this subsection each constitute  
26       membership service for the purposes of determining vesting in employer  
27       contributions under AS 39.35.790(b) and eligibility for retirement and medical  
28       benefits under this chapter and AS 39.30.300 - 39.30.495 [NORMAL  
29       RETIREMENT OF THE EMPLOYEE WOULD HAVE OCCURRED IF THE  
30       EMPLOYEE HAD LIVED].

31       \* Sec. 56, AS 39.35.890(/), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

1           (i) In this section, "occupational disability" means a physical or mental  
2           condition that the administrator determines presumably permanently prevents  
3           an employee from satisfactorily performing the employee's usual duties or the  
4           duties of another comparable position or job available to the employee and for  
5           which the employee is qualified by training or education; however, the proximate  
6           cause of the condition must be a bodily injury sustained, or a hazard undergone,  
7           while in the performance and within the scope of the employee's duties and not  
8           the proximate result of the wilful negligence of the employee [HAS THE  
9           MEANING GIVEN IN AS 39.35.680].

10       \* Sec. 57. AS 39.35 is amended by adding a new section to read:

11           Sec. 39.35.891. Disability benefit and disabled peace officer or fire fighter  
12           retirement benefit adjustment. (a) Once each year, the administrator shall increase  
13           disability benefits and retirement benefits elected by disabled peace officers or fire  
14           fighters under AS 39.35.890(h)(2). The amount of the increase is a percentage of the  
15           current disability benefit or retirement benefit equal to the lesser of 75 percent of the  
16           increase in the cost of living in the preceding calendar year or nine percent.

17           (b) If a disabled member was not receiving a benefit during the entire  
18           preceding calendar year, the increase in the benefit under this section shall be adjusted  
19           by multiplying it by a fraction, the numerator of which is the number of months for  
20           which the benefit was received in the preceding calendar year and the denominator of  
21           which is 12.

22           (c) If a disabled peace officer or fire fighter elects to receive a retirement  
23           benefit in the amount calculated under AS 39.35.890(h)(2), the administrator shall, at  
24           the time the disabled peace officer or fire fighter is appointed to retirement, increase  
25           the retirement benefit by a percentage equal to the total cumulative percentage that has  
26           been applied to the disabled peace officer's or fire fighter's disability benefit under this  
27           section.

28           (d) An increase in benefit payments under this section is effective July 1 of  
29           each year and is based on the percentage increase in the Consumer Price Index for  
30           urban wage earners and clerical workers for Anchorage, Alaska, during the previous  
31           calendar year, as determined by the United States Department of Labor, Bureau of

1 Labor Statistics.

2 (e) Benefit adjustments under this section shall terminate the last day of the  
3 month following the date on which a disabled member is no longer receiving a  
4 disability benefit under AS 39.35.890, unless the member is a disabled peace officer or  
5 fire fighter and has chosen a retirement benefit under AS 39.35.890(h)(2).

6 \* Sec. 58. AS 39.35.892(b), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

7 (b) The first payment of the surviving spouse's pension or of a dependent  
8 child's pension shall be made for the month following the month in which the  
9 employee dies. Payments [, AND PAYMENT] shall cease on the last day of the  
10 month in which there is no longer an eligible spouse or eligible dependent child,  
11 or the last day of the month following the earliest date [TO BE MADE  
12 BEGINNING WITH THE MONTH IN WHICH] the employee would have first  
13 qualified for normal retirement if the employee had survived, whichever day is  
14 sooner.

15 \* Sec. 59. AS 39.35.892(c), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

16 (c) The monthly survivor's pension in (b) of this section for survivors of  
17 employees who were not peace officers or fire fighters is 40 percent of the employee's  
18 monthly compensation in the month in which the employee dies. The monthly  
19 survivor's pension in (b) of this section for survivors of employees who were peace  
20 officers or fire fighters is 50 percent of the monthly compensation in the month in  
21 which the employee dies. While the monthly survivor's pension is being paid, the  
22 survivor is not entitled to elect distributions from the employee's individual  
23 contribution account under AS 39.35.810, except as required by AS 39.35.840.  
24 While the monthly survivor's pension is being paid, the employer shall make  
25 contributions on behalf of the employee's surviving spouse and employee's  
26 surviving dependent children [BENEFICIARIES] based on the deceased employee's  
27 gross monthly compensation at the time of occupational death

28 [(1) TO THE EMPLOYEE'S INDIVIDUAL ACCOUNT UNDER  
29 AS 39.35.730, WITHOUT DEDUCTION FROM THE SURVIVOR'S PENSION;  
30 AND

31 (2)] to the appropriate accounts and funds under AS 39.35.750**(b) - (c).**

1 \* Sec. 60. AS 39.35.892(e), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

2 (c) On the date the employee would have first qualified for normal  
3 retirement [OF THE EMPLOYEE WOULD HAVE OCCURRED] if the employee  
4 had survived [LIVED], the retirement benefit shall be determined under the  
5 provisions of AS 39.35.820 - 39.35.840, 39.35.870, and 39.35.880. In addition to  
6 payment of the member's individual account, the surviving spouse or, if there is  
7 no surviving spouse, the surviving dependent children of the member, shall  
8 receive an additional benefit in an amount equal to the accumulated  
9 contributions that would have been made to the deceased member's individual  
10 account under AS 39.35.730(a) and 39.35.750(a), based on the deceased member's  
11 gross monthly compensation at the time of occupational death, from the time of  
12 the member's death to the date the member would have first qualified for normal  
13 retirement if the member had survived. Earnings shall be allocated to the  
14 additional benefit calculated under this subsection based on the actual rate of  
15 return, net of expenses, of the trust account established under AS 39.35.750(e)  
16 over the period that such contributions would have been made. This additional  
17 amount shall be paid in the same manner as determined for the member's  
18 individual account under AS 39.35.820 - 39.35.860. An employee who died and  
19 whose survivors receive occupational death benefits under this section shall be  
20 considered to have retired directly from the plan on the date the [NORMAL  
21 RETIREMENT OF THE] employee would have first qualified for normal  
22 retirement [OCCURRED] if the employee had survived. The period of time during  
23 which a survivor's pension is paid under this section constitutes membership  
24 service for the purposes of determining vesting in employer contributions under  
25 AS 39.35.790(b) and eligibility for retirement and medical benefits under this  
26 chapter and AS 39.30.300 - 39.30.495 [LIVED].

27 \* Sec. 61. AS 39.35 is amended by adding new sections to read:

28 Sec. 39.35.893. Survivor's pension adjustment. (a) Once each year, the  
29 administrator shall increase payments to a person 60 years of age or older receiving a  
30 survivor's pension under AS 39.35.890(k) or 39.35.892(c) and to a person who has  
31 received a survivor's pension under AS 39.35.890(k) or 39.35.892(c) for at least five

1 years, who is not otherwise eligible for an increase under this section.

2 (b) The amount of the increase is a percentage of the current survivor's  
3 pension equal to the lesser of 50 percent of the increase in the cost of living in the  
4 preceding calendar year or six percent.

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

10 (d) The administrator shall increase the initial survivor's pension paid to a  
11 survivor of a member who died while receiving disability benefits by a percentage  
12 equal to the total cumulative percentage that has been applied to the member's  
13 disability benefit under AS 39.35.891.

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

19 (f) Pension adjustments under this section shall terminate the last day of the  
20 month following the date on which a survivor is no longer receiving a survivor's  
21 pension under AS 39.35.890(k) or 39.35.892(c).

22 **Sec. 39.35.894. Premiums for retiree major medical insurance coverage**  
23 **upon termination of disability benefits or survivor's pension.** The premium for  
24 retiree major medical insurance coverage payable by an employee whose disability  
25 benefit is terminated under AS 39.35.890(g) or by an eligible survivor whose survivor  
26 pension is terminated under AS 39.35.890(k) or 39.35.892(e) when the employee  
27 would have been eligible for normal retirement if the employee had survived shall be  
28 determined under AS 39.35.880(g)(2) as if the employee or survivor were eligible for  
29 Medicare.

30 \* **Sec. 62.** AS 39.35.910, as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

31 **Sec. 39.35.910. Nonguarantee of returns, rates, or benefit amounts.** The

1 plan created by AS 39.35.700 - 39.35.990 is, with respect to individual accounts,  
2 treated as a defined contribution plan and [PLAN,] not a defined benefit plan. The  
3 amount of money in the individual account of a participant depends on the amount of  
4 contributions and the rate of return from investments of the account that varies over  
5 time. If benefits are paid in the form of an annuity, the benefit amount payable is  
6 dependent on the amount of money in the account and the interest rates applied and  
7 service fees charged by the annuity payor at the time the annuity is purchased from  
8 the carrier and benefits are first paid. Nothing in this plan guarantees a participant

9 (1) a rate of return or interest rate other than that actually earned by the  
10 account of the participant, less applicable administrative expenses; or

11 (2) an annuity based on interest rates or service charges other than  
12 interest rates available from and service charges by the annuity payor in effect at the  
13 time the annuity is paid.

14 \* Sec. 63. AS 39.35.940(c), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

15 (c) Each eligible member who elects to participate in the defined contribution  
16 retirement plan shall have transferred to a new account the employee contribution  
17 account balance held in trust for the member under the defined benefit retirement plan  
18 of the public employees' retirement system. A matching employer contribution shall  
19 be made on behalf of that employee to the new account. The employer shall make the  
20 matching contribution from funds other than the trust funds of the defined benefit  
21 retirement plan established under AS 39.35.095 - 39.35.680. The amount of the  
22 matching employer contribution shall be subject to, and may not exceed, the  
23 limitation of 26 U.S.C. 415(c) during the applicable limitation year in which the  
24 contribution is made.

25 \* Sec. 64. AS 39.35.940(d), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

26 (d) Upon a transfer, all membership service previously earned under the  
27 defined benefit retirement plan shall be nullified for purposes of entitlement to a future  
28 benefit under the defined benefit retirement plan but shall be credited for purposes of  
29 determining vesting in employer contributions under AS 39.35.790(b) and  
30 eligibility to elect medical benefits under AS 39.35.870. Membership service allowed  
31 for credit toward medical benefits does not include any service credit purchased for

1 employment by an employer who is not a participating employer in this chapter.

2 \* Sec. 65. AS 39.35.940(h), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

3 (h) An employee who is eligible to elect transfer to the defined  
4 contribution plan must make the election not later than 12 months after the  
5 employee's employer notifies the administrator that the employee's employer  
6 consents to transfers of its employees under (i) of this section. The election to  
7 participate in the defined contribution retirement plan must be made in writing on  
8 forms and in the manner prescribed by the administrator. Before accepting an election  
9 to participate in the defined contribution retirement plan, the administrator must  
10 provide the employee planning on making an election to participate in the defined  
11 contribution retirement plan with information, including calculations to illustrate the  
12 effect of moving the employee's retirement plan from the defined benefit retirement  
13 plan to the defined contribution retirement plan as well as other information to clearly  
14 inform the employee of the potential consequences of the employee's election. An  
15 election made under this subsection to participate in the defined contribution  
16 retirement plan is irrevocable. Upon making the election, the participant shall be  
17 enrolled as a member of the defined contribution retirement plan, the member's  
18 participation in the plan shall be governed by the provisions of AS 39.35.700 -  
19 39.35.990, and the member's participation in the defined benefit retirement plan under  
20 AS 39.35.115 shall terminate. The participant's enrollment in the defined contribution  
21 retirement plan shall be effective the first day of the month after the administrator  
22 receives the completed enrollment forms. An election made by an eligible member  
23 who is married is not effective unless the election is signed by the individual's spouse.

24 \* Sec. 66. AS 39.35.940(i), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

25 (i) A member may make an election under this section only if the member's  
26 employer participates in both the defined benefit retirement plan and the defined  
27 contribution retirement plan and consents to transfers under this section. The employer  
28 shall notify the administrator if the employer consents to allowing the employer's  
29 members to choose to transfer from the defined benefit retirement plan to the defined  
30 contribution retirement plan under this section. The initial period during which the  
31 employer's members may choose to transfer commences on the first day of the

1        month following the administrator's receipt of notice under this subsection and  
2        continues for 12 months. An employer may consent to a second period of 12  
3        months during which the employer's members may choose to transfer from the  
4        defined benefit retirement plan to the defined contribution retirement plan under  
5        this section. The second period commences on the first day of the month  
6        following the administrator's receipt of notice under this subsection and  
7        continues for 12 months. An employer's initial notice to allow transfers is  
8        irrevocable and applicable to all eligible employees of the employer. An employer's  
9        second notice to allow transfers under this section is irrevocable and applicable  
10       only to those eligible employees to whom the initial period of transfer was not  
11       available.

12       \* Sec. 67. AS 39.35.940(j), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended by  
13       adding a new paragraph to read:

14                    (3) "membership service" means service with a participating employer  
15                    under AS 39.35.095 - 39.35.680 for which contributions have been paid and does not  
16                    include any service for which reinstatement indebtedness has not been fully paid.

17       \* Sec. 68. AS 39.35 is amended by adding new sections to read:

18                    **Sec. 39.35.957. Designation of eligible employees, agreement to contribute,**  
19                    **and amendment of participation.** (a) A political subdivision or public organization  
20                    participating in the defined contribution retirement plan under AS 39.35.700 -  
21                    39.35.990 shall designate the departments, groups, or other classifications of  
22                    employees eligible to participate in the plan and, by participating, shall legally be  
23                    presumed to have agreed to make contributions each year in the amounts required for  
24                    members of the plan under AS 39.35.750.

25                    (b) If the employer does not participate in the defined benefit retirement plan  
26                    under AS 39.35.095 - 39.35.680, an employee who is eligible under (a) of this section  
27                    and who is a member of the defined benefit retirement plan under AS 39.35.095 -  
28                    39.35.680 does not accrue credited service or make contributions under that defined  
29                    benefit retirement plan, but shall be a member of the defined contribution retirement  
30                    plan under AS 39.35.700 - 39.35.990 and make contributions under that plan.

31                    (c) An employer may request to amend its participation in the plan to add or

1 exclude departments, groups, or other classifications of employees by filing a  
2 resolution as provided by AS 39.35.950 or 39.35.955 with the administrator.

3 **Sec. 39.35.958. Termination of participation in the plan.** (a) A political  
4 subdivision or public organization may request that its participation in the plan be  
5 terminated. The request may be made only after adoption of a resolution by the  
6 legislative body of the political subdivision and approval of the resolution by the  
7 person required by law to approve the resolution, or, in the case of a public  
8 organization, after adoption of a resolution by the governing body of that public  
9 organization. A certified copy of the resolution shall be filed with the administrator.

10 (b) If contributions are not transmitted to the plan within the prescribed time  
11 limit, the commissioner of administration may grant an extension and shall assess  
12 interest on the outstanding contributions at the rate established under AS 39.35.610. If  
13 the political subdivision or public organization is in default at the end of the extension,  
14 participation in the plan is terminated, and it shall be sent notice of termination.

15 (c) When an employer's participation in the plan is terminated, or when an  
16 employer terminates coverage of a department, group, or other classification of  
17 employees under AS 39.35.957(c), the administrator shall assess the employer an  
18 amount that the administrator determines is actuarially required to fully fund the costs  
19 to the plan for employees whose coverage is terminated, including the cost of  
20 providing the employer's share of retiree health benefits under AS 39.35.880,  
21 occupational disability and occupational death benefits under AS 39.35.890 and  
22 39.35.892, and retirement benefits elected under AS 39.35.890(h)(2).

23 (d) An employee whose coverage under the plan is terminated as a result of  
24 termination of an employer's participation under this section or amendment of the  
25 employer's agreement under AS 39.35.957(c) shall be considered fully vested in  
26 employer contributions under AS 39.35.790(b) and in the individual account  
27 established for the employee under AS 39.30.370. If the employee is later employed  
28 with a participating employer, the employee's membership service earned under the  
29 plan during employment with a terminated employer shall be credited for purposes of  
30 determining vesting in employer contributions under AS 39.35.790(b) and eligibility  
31 for retirement and medical benefits under this chapter and AS 39.30.300 - 39.30.495.

1 \* Sec. 69. AS 39.35.990(16), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to  
2 read:

3 (16) "member" or "employee" means a person who is eligible to  
4 participate in the plan and who is covered by [AN EMPLOYEE OF AN  
5 EMPLOYER OR FORMER EMPLOYEE OF AN EMPLOYER WHO RETAINS A  
6 RIGHT TO BENEFITS UNDER] the plan, but does not include full-time or part-time  
7 instructors of the Department of Labor and Workforce Development and the  
8 Department of Education and Early Development in positions that require a  
9 teaching certificate;

10 \* Sec. 70. AS 39.35.990(20), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to  
11 read:

12 (20) "peace officer" or "fire fighter" means an employee occupying a  
13 position as a peace officer, chief of police, regional public safety officer,  
14 correctional officer, correctional superintendent, fire fighter, fire chief, or  
15 probation officer, but does not include a village public safety officer employed by  
16 a village public safety officer program established under AS 18.65.670 [HAS THE  
17 MEANING GIVEN IN AS 39.35.680];

18 \* Sec. 71. AS 39.45 is amended by adding a new section to read:

19 Sec. 39.45.055. Appeals. A final decision made under AS 39.45.010 -  
20 39.45.060 is subject to appeal under AS 44.64.

21 \* Sec. 72. AS 44.64.030(a) is amended by adding new paragraphs to read:

22 (36) AS 14.25.175 (waiver of adjustments under teachers' defined  
23 benefit plan);

24 (37) AS 39.30.165 (supplemental benefits system);

25 (38) AS 39.30.335 (teachers' and public employees' health  
26 reimbursement arrangement plan);

27 (39) AS 39.35.522 (waiver of adjustments under public employees'  
28 defined benefit plan)

29 (40) AS 39.45.055 (public employees' deferred compensation  
30 program).

31 \* Sec. 73. The uncodified law of the State of Alaska enacted in sec. 134, ch. 9, FSSLA

1 2005, is amended to read:

2           Sec. 134. EMPLOYER CONTRIBUTIONS FOR OCCUPATIONAL  
3           DISABILITY AND DEATH BENEFITS IN THE PUBLIC EMPLOYEES' DEFINED  
4           CONTRIBUTION RETIREMENT PLAN FOR THE FIRST FISCAL YEAR THE  
5           PLAN IS IN EFFECT. Notwithstanding AS 39.35.750(e), added by sec. 122, ch. 9,  
6           FSSLA 2005 [OF THIS ACT], for the first fiscal year in which the public employees'  
7           defined contribution retirement plan is in effect, the employer contribution to fully  
8           fund the cost of providing occupational disability and occupational death benefits  
9           under AS 39.35.890 and 39.35.892 shall be equal to

10           (1) 0.73 [0.4] percent of the compensation for peace officers and fire fighters  
11           who are members in the plan; and

12           (2) 0.37 [0.3] percent of the compensation for all other employees who are  
13           members in the plan.

14           \* Sec. 74. AS 14.25.045, 14.25.570; and AS 39.35.050(a) are repealed.

15           \* Sec. 75. AS 14.25.070(b) and AS 39.35.270(b) are repealed.

16           \* Sec. 76. AS 39.35.375(f) is repealed July 1, 2010.

17           \* Sec. 77. The uncodified law of the State of Alaska is amended by adding a new section to  
18           read:

19           EMPLOYER CONTRIBUTIONS FOR OCCUPATIONAL DISABILITY AND  
20           OCCUPATIONAL DEATH BENEFITS IN THE TEACHERS' DEFINED CONTRIBUTION  
21           RETIREMENT PLAN FOR THE FIRST FISCAL YEAR THE PLAN IS IN EFFECT.  
22           Notwithstanding AS 14.25.350(e), added by sec. 8 of this Act, for the first fiscal year in which  
23           the teachers' defined contribution retirement plan is in effect, the employer contribution to  
24           fully fund the cost of providing occupational disability and occupational death benefits under  
25           AS 14.25.485 and 14.25.487 shall be equal to 0.26 percent of the amount of compensation  
26           paid to all teachers who work for the employer in that year and are members of the plan.

27           \* Sec. 78. The uncodified law of the State of Alaska is amended by adding a new section to  
28           read:

29           RETROACTIVITY. Section 75 of this Act is retroactive to July 1, 2005.

30           \* Sec. 79. Sections 3 and 38 of this Act take effect July 1, 2008.

31           \* Sec. 80. Sections 4, 39, and 40 of this Act take effect on July 1, 2010.

1  
2

\* **Sec. 81.** Sections 75 and 78 of this Act take effect immediately under AS 01.10.070(c).

\* **Sec. 82.** Except as provided in secs. 79 - 81 of this Act, this Act takes effect July 1, 2006.

*Failed*

# HOUSE FINANCE COMMITTEE ROLL CALL

*1112-2170*

DATE: 4-19-06

Amendment: #2 Lindholm

MEMBER

Favor

Oppose

MEMBER	Favor	Oppose
WEYHRAUCH		✓
FOSTER		✓
HAWKER	✓	
HOLM		✓
JOULE	✓	
KELLY		✓
KERTTULA	✓	
MOSES	✓	
STOLTZE		✓
MEYER		✓
CHENAULT		✓

4

7

*failed*  
*amend. to amend. 2*  
*July 1, 2007*

New  
AMENDMENT 2 *failed*

OFFERED IN THE HOUSE

BY REPRESENTATIVE KERTTULA

TO: CSHB 475( ), Draft Version "L"

1 Page 2, line 2, following "program;":

2 Insert "providing for an effective date by amending sec. 148, ch. 9, FSSLA 2005,  
3 which contains an effective date;"

4  
5 Page 2, following line 3:

6 Insert new bill sections to read:

7 **\*\* Section 1.** AS 14.25.009 is amended to read:

8 **Sec. 14.25.009.** Applicability of AS 14.25.009 - 14.25.220. The provisions of  
9 AS 14.25.009 - 14.25.220 apply only to members first hired before July 1, 2008  
10 [2006].

11 **\* Sec. 2.** AS 14.25.012(c) is amended to read:

12 (c) Employees first hired after June 30, 2008 [2006], are not eligible to  
13 participate in the plan established in AS 14.25.009 - 14.25.220."

14  
15 Page 2, line 4:

16 Delete "Section 1"

17 Insert "Sec. 3"

18  
19 Renumber the following bill sections accordingly.

20  
21 Page 3, following line 12:

22 Insert a new bill section to read:

23 **\*\* Sec. 7.** AS 14.25.310 is amended to read:

1           **Sec. 14.25.310. Applicability of AS 14.25.310 - 14.25.590.** The provisions of  
2 AS 14.25.310 - 14.25.590 apply only to teachers who first become members on or  
3 after July 1, 2008 [2006], or to members who transfer into the defined contribution  
4 plan under AS 14.25.540."  
5

6 Renumber the following bill sections accordingly.  
7

8 Page 3, lines 14 - 18:

9 Delete all material and insert:

10           "(b) The defined contribution retirement plan includes a plan in which savings  
11 are accumulated in an individual account for the exclusive benefit of the member or  
12 beneficiaries, and certain fixed occupational, death, and disability benefits are  
13 paid. The plan is established effective July 1, 2008 [2006], at which time  
14 contributions by employers and members begin."  
15

16 Page 3, following line 25:

17 Insert a new bill section to read:

18 **\*\* Sec. 10.** AS 14.25.330(a) is amended to read:

19           (a) A teacher who first becomes a member on or after July 1, 2008 [2006],  
20 shall participate in the plan as a member of the defined contribution retirement plan."  
21

22 Renumber the following bill sections accordingly.  
23

24 Page 4, following line 1:

25 Insert a new bill section to read:

26 **\*\* Sec. 12.** AS 14.25.350(c), as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

27           (c) Notwithstanding (b) of this section, the employer contribution for retiree  
28 major medical insurance for fiscal year 2009 [2007] shall be 1.75 percent of each  
29 member's compensation from July 1 to the following June 30."  
30

31 Renumber the following bill sections accordingly.

1

2 Page 14, following line 28:

3 Insert new bill sections to read:

4 **\*\* Sec. 37.** AS 39.30.300 is amended to read:

5 **Sec. 39.30.300. State of Alaska Teachers' and Public Employees' Retiree**  
6 **Health Reimbursement Arrangement Plan established.** The State of Alaska  
7 Teachers' and Public Employees' Retiree Health Reimbursement Arrangement Plan is  
8 established for teachers who first become members of the defined contribution plan of  
9 the teachers' retirement system under AS 14.25.310 - 14.25.590 on or after July 1,  
10 2008 [2006], and employees of the state, political subdivisions of the state, and public  
11 organizations of the state who first become members of the defined contribution plan  
12 of the public employees' retirement system under AS 39.35.700 - 39.35.990 on or after  
13 July 1, 2008 [2006].

14 **\* Sec. 38.** AS 39.30.310(b) is amended to read:

15 (b) The plan becomes effective July 1, 2008 [2006], at which time  
16 contributions by employers begin."

17

18 Renumber the following bill sections accordingly.

19

20 Page 15, following line 28:

21 Insert a new bill section to read:

22 **\*\* Sec. 43.** AS 39.35.095 is amended to read:

23 **Sec. 39.35.095. Applicability of AS 39.35.095 - 39.35.680.** The following  
24 provisions of this chapter apply only to members first hired before July 1, 2008  
25 [2006]; AS 39.35.095 - 39.35.680."

26

27 Renumber the following bill sections accordingly.

28

29 Page 18, following line 12:

30 Insert a new bill section to read:

31 **\*\* Sec. 51.** AS 39.35.700 is amended to read:

1           **Sec. 39.35.700. Applicability of AS 39.35.700 - 39.35.990.** The provisions of  
2 AS 39.35.700 - 39.35.990 apply only to members first hired on or after July 1, 2008  
3 [2006], or to members who transfer into the defined contribution plan under  
4 AS 39.35.940."

5  
6 Renumber the following bill sections accordingly.

7  
8 Page 18, lines 14 - 19:

9 Delete all material and insert:

10           "(b) The defined contribution retirement plan is a plan in which savings are  
11 accumulated in an individual retirement account for the exclusive benefit of the  
12 member or beneficiaries, and certain fixed occupational, death, and disability  
13 benefits are paid, and certain fixed retirement and survivor benefits for peace  
14 officers and fire fighters are paid. The plan is established effective July 1, 2008  
15 [2006], at which time contributions by employers and members begin."

16  
17 Page 18, following line 27:

18 Insert a new bill section to read:

19 **\*\* Sec. 54.** AS 39.35.720 is amended to read:

20           **Sec. 39.35.720. Membership.** An employee who becomes a member on or  
21 after July 1, 2008 [2006], shall participate in the plan set out in AS 39.35.700 -  
22 39.35.990."

23  
24 Renumber the following bill sections accordingly.

25  
26 Page 19, following line 5:

27 Insert a new bill section to read:

28 **\*\* Sec. 56.** AS 39.35.750(c) is amended to read:

29           (c) Notwithstanding (b) of this section, the employer contribution for retiree  
30 major medical insurance for fiscal year 2009 [2007] shall be 1.75 percent of each  
31 member's compensation from July 1 to the following June 30."

1

2 Renumber the following bill sections accordingly.

3

4 Page 33, lines 22 - 23:

5 Delete all material and insert:

6 **\*\* Sec. 86.** AS 14.25.045 and AS 39.35.050(a) are repealed.

7 **\* Sec. 87.** AS 14.25.570, as enacted by sec. 35, ch. 9, FSSLA 2005, is repealed.

8 **\* Sec. 88.** AS 14.25.070(b) and AS 39.35.270(b) are repealed."

9

10 Renumber the following bill sections accordingly.

11

12 Page 33, line 24:

13 Delete "2010"

14 Insert "2012"

15

16 Page 33, line 30:

17 Delete "sec. 8"

18 Insert "sec. 13"

19

20 Page 34, line 6:

21 Delete "Section 76"

22 Insert "Section 88"

23

24 Page 34, lines 7 - 10:

25 Delete all material and insert:

26 **\*\* Sec. 92.** The uncodified law of the State of Alaska is amended by adding a new section to  
27 read:

28 **CONDITIONAL RETROACTIVITY.** If, under sec. 96 of this Act, secs. 1, 2, 7, 8, 10,  
29 12, 37, 38, 43, 51, 52, 54, 56, and 92 of this Act take effect after June 30, 2006, secs. 1, 2, 7,  
30 8, 10, 12, 37, 38, 43, 51, 52, 54, 56, and 92 of this Act are retroactive to June 30, 2006.

31 **\* Sec. 93.** Section 148, ch. 9, FSSLA 2005, is amended to read:

1                   Sec. 148. Sections 2, 8, 35, 40, 46, 61, 69, 80, 82, 122, and 134 of this Act take  
2                   effect July 1, 2008 [2006].

3                   \* Sec. 94. Sections 5 and 46 of this Act take effect July 1, 2010.

4                   \* Sec. 95. Sections 6, 47, and 48 of this Act take effect July 1, 2012.

5                   \* Sec. 96. Except as provided in secs. 94 and 95 of this Act, this Act takes effect  
6                   immediately under AS 01.10.070(c)."

**HOUSE FINANCE  
COMMITTEE  
ROLL CALL**

*faulkner*

DATE: 4-19-35

Amendment: Amend. to Amend 2  
*(Amend 1)*

MEMBER

Favor

Oppose

FOSTER		✓
HAWKER	✓	
HOLM		✓
JOULE	✓	
KELLY		✓
KERTTULA	✓	
MOSES	✓	
STOLTZE		✓
WEHYRAUCH		✓
MEYER		✓
CHENAULT		✓

4

7

*Withdrawn*

24-LS1685L.2  
Wayne  
4/11/06

*New*

AMENDMENT |

OFFERED IN THE HOUSE

BY REPRESENTATIVE KERTTULA

TO: CSHB 475( ), Draft Version "L"

1 Page 1, line 1, through page 2, line 2:

2 Delete all material and insert:

3 ""An Act relating to the supplemental employee benefit program; relating to teachers'  
4 and public employees' defined benefit retirement plans; repealing provisions that would  
5 have created teachers' and public employees' defined contribution retirement plans and  
6 a health reimbursement arrangement plan for certain teachers and public employees;  
7 relating to the public employees' deferred compensation program; providing for an  
8 effective date by repealing sec. 148, ch. 9, FSSLA 2005, which contains an effective date;  
9 and providing for an effective date.""

10

11 Page 2, following line 3:

12 Insert a new bill section to read:

13 "\* Section 1. AS 14.25.009 is repealed and reenacted to read:

14 Sec. 14.25.009. Defined benefit retirement plan under AS 14.25.009 -  
15 14.25.220. AS 14.25.009 - 14.25.220 sets out a defined benefit retirement plan as the  
16 teachers' retirement plan."

17

18 Page 2, line 4:

19 Delete "Section 1"

20 Insert "Sec. 2"

21

22 Renumber the following bill sections accordingly.

23

*Not taken  
up  
yet*

1 Page 3, line 13, through page 14, line 11:

2 Delete all material and insert:

3 **\*\* Sec. 6.** AS 14.25.220(31) is amended to read:

4 (31) "plan" and "system" are used interchangeably under  
5 AS 14.25.009 - 14.25.220 and mean [MEANS] the retirement benefit plan established  
6 under AS 14.25.009 - 14.25.220;"

7

8 Renumber the following bill sections accordingly.

9

10 Page 14, line 29, through page 15, line 28:

11 Delete all material and insert:

12 **\*\* Sec. 10.** AS 39.35.095 is repealed and reenacted to read:

13 **Sec. 39.35.095. Defined benefit retirement plan under AS 39.35.095 -**  
14 **39.35.680.** AS 39.35.095 - 39.35.680 sets out a defined benefit retirement plan as the  
15 public employees' retirement plan."

16

17 Renumber the following bill sections accordingly.

18

19 Page 18, line 13, through page 32, line 25:

20 Delete all material.

21

22 Renumber the following bill sections accordingly.

23

24 Page 33, lines 2 - 3:

25 Delete all material.

26

27 Renumber the following paragraphs accordingly.

28

29 Page 33, lines 8 - 21:

30 Delete all material.

31

1 Renumber the following bill sections accordingly.

2

3 Page 33, line 22:

4 Delete "AS 14.25.045"

5 Insert "AS 14.25.012(c), 14.25.045"

6

7 Page 33, line 25, through page 34, line 3:

8 Delete all material and insert:

9 **"\* Sec. 23.** Sections 2, 8, 35, 40, 46, 61, 69, 80, 82, 122, and 134, ch. 9, FSSLA 2005, are  
10 repealed.

11 **\* Sec. 24.** The uncodified law of the State of Alaska is amended by adding a new section to  
12 read:

13 INSTRUCTIONS TO REVISOR OF STATUTES CONCERNING SPECIFIC  
14 REFERENCES. The revisor of statutes shall submit to the Alaska Legislative Council a draft  
15 bill amending the statutes of the State of Alaska to clarify that the teachers' retirement system  
16 and the public employees' retirement system consist only of defined benefit plans and  
17 therefore, in those contexts, any distinction between the terms "system" and "plan" is  
18 eliminated."

19

20 Renumber the following bill sections accordingly.

21

22 Page 34, line 6:

23 Delete "Section 76"

24 Insert "Section 21"

25

26 Page 34, lines 7 - 10:

27 Delete all material and insert:

28 **"\* Sec. 26.** The uncodified law of the State of Alaska is amended by adding a new section  
29 to read:

30 **CONDITIONAL RETROACTIVITY.** If, under sec. 30 of this Act, secs. 1, 6, 10, and  
31 23 of this Act take effect after June 30, 2006, secs. 1, 6, 10, and 23 of this Act are retroactive

1 to June 30, 2006.

2 \* Sec. 27. Section 148, ch. 9, FSSLA 2005, is repealed.

3 \* Sec. 28. Sections 4 and 13 of this Act take effect July 1, 2008.

4 \* Sec. 29. Sections 5, 14, and 15 of this Act take effect July 1, 2010.

5 \* Sec. 30. Except as provided in secs. 28 and 29 of this Act, this Act takes effect  
6 immediately under AS 01.10.070(c)."

Offered by: Joule

24-LS1685\S.1  
Wayne  
4/18/06

AMENDMENT 3

OFFERED IN THE HOUSE

TO: CSHB 475( ), Draft Version "S"

1 Page 2, line 15, following "AS 14.25.065.":

2 Insert "The maximum change in the contribution rate for an employer from one  
3 year to the next shall be not more than five percentage points, as actuarially calculated,  
4 whether the change is an increase or a decrease."

5  
6 Page 3, line 1:

7 Delete "The"

8 Insert "Subject to the limitation on maximum change from one year to the next under  
9 (a) of this section, the"

10

11 Page 16, line 2, following "section.":

12 Insert "The maximum change in the contribution rate for an employer from one  
13 year to the next shall be not more than five percentage points, as actuarially calculated,  
14 whether the change is an increase or a decrease."

15

16 Page 17, line 9:

17 Delete "The"

18 Insert "Subject to the limitation on maximum change from one year to the next under  
19 AS 39.35.250(a), the"

# STATE OF ALASKA

## DEPARTMENT OF ADMINISTRATION

### DIVISION OF RETIREMENT AND BENEFITS

FRANK H. MURKOWSKI, GOVERNOR

PO BOX 110203  
JUNEAU, AK 99811-0203  
TDD: (907) 465-2805  
FAX: (907) 465-3086  
PHONE: (907) 465-4460  
TOLL-FREE 1-800-821-2251

April 18, 2006

The Honorable Paul Seaton, Chair  
The Honorable Kevin Meyer, Co-Chair  
The Honorable Mike Chenault, Co-Chair  
House State Affairs Committee  
House Finance Committee  
Alaska State House of Representatives  
Juneau, Alaska 99801

Re: Questions Involving PERS and TRS Plan Qualification and CSHB 475

Dear Representative Seaton, Meyer and Chenault:

Attached is an overview prepared by attorneys from the law firm of Ice Miller, the federal tax experts retained by the State, regarding the Internal Revenue Service (IRS) plan determination process, the benefits of passing CSHB 475, and the consequences that would result from not passing CSHB 475.

As explained in the overview, IRS qualification provides plan members with significant federal tax benefits. Failure to obtain qualified status for the plans would deprive plan members of these expected benefits.

If CSHB 475 is not passed, qualification of the plan as a whole would be jeopardized, because the statutes that create the new plans do not authorize the Department of Administration to disregard or sever any provision that causes a qualification failure. Future enactment of corrections that are applied retroactively might also be problematic, because retroactive changes could affect vested rights that are protected under Article XII, Section 7 of the Alaska Constitution.

In addition to adverse affects to plan members identified in Ice Miller's letter, failure of the plans to obtain IRS qualification would adversely affect employers, including the State, political subdivisions, and school districts, which would have to establish and implement new tax reporting procedures for employer and employee contributions to, and earnings on, individual member accounts.

Please let me know if you have any questions about this correspondence.

Sincerely,



Melanie Millhorn  
Director

Chair Seaton, House State Affairs  
Co-Chairs, Kevin Meyer and Mike Chenault  
House Finance Committee  
April 18, 2006  
Page 2

cc: Members of House Finance Committee

Scott J. Nordstrand, Commissioner  
Department of Administration

Kevin Brooks, Deputy Commissioner  
Department of Administration

Michael Tibbies, Deputy Commissioner  
Department of Administration

Traci Carpenter, Project Manager  
Department of Administration

Virginia Ragle, Assistant Attorney General  
Department of Law



April 17, 2006

WRITER'S DIRECT NUMBER: (317) 236-2413  
DIRECT FAX: (317) 592-4616  
INTERNET: BRATMAN@ICEMILLER.COM

WRITER'S DIRECT NUMBER: (317) 236-2210  
DIRECT FAX: (317) 592-4713  
INTERNET: TERRY.MUMFORD@ICEMILLER.COM

WRITER'S DIRECT NUMBER: (317) 236-2468  
DIRECT FAX: (317) 592-4702  
INTERNET: KATRINA.CLINGERMAN@ICEMILLER.COM

VIA E-MAIL

Melanie A. Millhorn, Director  
Traci Carpenter, Project Manager  
Alaska Administration Retirement & Benefits  
6<sup>th</sup> Floor State Office Building  
P.O. Box 110203  
Juneau, AK 99811-0203

*Re: CSHB 475*

Dear Melanie and Traci:

You have asked us to prepare for you an overview of the following topics:

1. Mechanics of the plan determination process and filings with Internal Revenue Service ("IRS") when a state implements a new retirement plan;
2. Benefits of passing CSHB 475 from the perspective of compliance with the Internal Revenue Code ("Code") and IRS process; and
3. Consequences of not passing CSHB 475 from the perspective of Code compliance and IRS process.

**BACKGROUND**

**PERS Tier 4 and TRS Tier 3**

The new PERS Tier 4 and TRS Tier 3 plans (the "New Plans") are intended to be qualified governmental plans under Code Section 401(a). Code Section 401(a) covers defined benefit plans, defined contribution plans, and plans that contain elements of both. Establishing and maintaining qualified status of the New Plans is critical for the employees who participate in the plans and their beneficiaries. In order to know that the New Plans are qualified, Alaska is seeking IRS "determination letters" for them. This is the procedure that has been followed in the past for the existing PERS and TRS plans and is certainly a "best practice" in the pension world.

Melanie A. Millhorn  
Traci Carpenter  
April 17, 2006  
Page 2

## **HRAs**

SB 141 also established health reimbursement accounts ("HRAs"). The IRS has recently issued guidance on the structure of HRAs. These rules must be followed in order to have non-taxable benefits for employees, spouses, and their dependents. The IRS has been very strict in their interpretation of these new rules. The only mechanism for seeking IRS approval of the HRA structure is a private letter ruling.

### **IMPORTANCE OF QUALIFIED STATUS – FOR NEW PLANS**

It is very important to establish and maintain the New Plans as qualified governmental plans for the following reasons:

1. Employer contributions are not taxable to members as they are made (or even when vested); taxation only occurs when plan distributions are made.
2. Earnings and income are not taxed to the trust or the members (until distribution).
3. Favorable tax treatments may be available to members when they receive plan distributions: for example, the ability to rollover eligible distributions.
4. Employers and members do not pay employment taxes (even if the positions are Social Security covered) when contributions are made or when benefits are paid.
5. Members have protection of their benefits in a bankruptcy situation.
6. Qualified plans have an approved status with respect to international investments and foreign tax recaptures.
7. Qualified plans may use IRS correction mechanisms in the case of operational failures.

State and local governments are generally exempt from taxation, so the benefits of qualified status flow to the members.

### **MECHANICS OF THE PLAN DETERMINATION PROCESS – FOR NEW PLANS**

#### **What is filed with the IRS?**

Requests for favorable determination letters have been filed with the IRS for each of the New Plans, but those requests need to be revised. The primary focus of the determination letter is compliance with "form requirements" — those plan provisions that are required as a condition

Melanie A. Millhorn  
Traci Carpenter  
April 17, 2006  
Page 3

of qualification under Code Section 401(a). In the case of the New Plans, the plan document would be SB 141, CSHB 475 (if passed), and administrative rules.

**What do states do while the determination letter application is pending?**

You have asked whether, in the normal course of events, states that are implementing a new retirement plan proceed with implementation while a determination letter is pending or delay implementation of a plan pending favorable rulings from the IRS. It has been our experience that states take a variety of approaches, depending on the legislation or process that leads to the adoption of the plan. Where a statute does not require delay until a determination letter is issued, it has been our experience that states move ahead with implementation while the determination letter is pending.

**What is the timetable for receiving an IRS determination?**

The IRS often takes more than one year to issue a final determination letter. During that time period an IRS agent may ask for clarification of provisions and may request amendments of the plan document. If an amendment is requested, the IRS may issue a determination letter contingent on the adoption of the amendment. The amendment would have to be adopted within 90 days of the issuance of the determination letter.

**What happens if the IRS decides that New Plans have disqualifying provisions?**

Code Section 401(b) governs the ability of a qualified plan to make retroactive remedial amendments in order to maintain qualified status. The period in which retroactive corrections are allowed is known as the "remedial amendment period."

If corrections are made by the end of the remedial amendment period, the amendments are treated as retroactively effective throughout the entire remedial amendment period and the plan is deemed to have satisfied the qualification requirements of Code Section 401(a) during that time.

The remedial amendment period begins for a new plan, such as PERS Tier 4 and TRS Tier 3, on the effective date of the plan. For a governmental plan, Notice 89-8, 1989-1 C.B. 628, sets the end of the remedial amendment period at the last day of the seventh month after the end of the plan year in which the remedial amendment period begins. By filing a request for a determination letter, Alaska has preserved its right to retroactively amend the New Plans back to the effective date.

Based upon this IRS guidance, we believe that Alaska has been proactive in filing its determination letters so promptly and in the proposed update of those letters. The determination

Melanie A. Millhorn  
Traci Carpenter  
April 17, 2006  
Page 4

letter is based upon the "administrative record" that is presented to the IRS, so it is important for Alaska to continue to update the IRS with any changes to the plan document.

### **BENEFITS OF PASSING CSIB 475**

#### **PERS Tier 4 and TRS Tier 3**

Passing CSIB 475 would have the following benefits for members in the New Plans:

1. Clarify nature of New Plans to make sure DB-type benefits for those with occupational disability and their survivors are paid from New Plans.
2. Clarify nature of New Plan as to public safety officer retirement benefit options to make sure those benefits are paid from New Plans.
3. Restructure line of duty death benefit so that it would comply with IRC. Failure to adopt will deny tax-favored benefit to survivor.
4. Shorten the IRS review time because the "plan document" for the new tiers would be established in a way that would match up with IRS guidance.

#### **HRAs**

Passing CSIB 475 would have the following benefit with respect to the new HRA structure:

Restructure HRA contributions to clarify that contribution is uniformly calculated, thereby strengthening position that all benefits will be non-taxable.

### **CONSEQUENCES OF NOT PASSING CSIB 475**

#### **PERS Tier 4 and TRS Tier 3**

Failure to pass CSIB 475 would have the following consequences for members of the New Plans:

1. Failure to adopt CSIB 475 will restrict the ability to offer occupational death and disability benefits for members.
2. Failure to adopt CSIB 475 will restrict the ability to offer optional PERS retirement to police/fire injured in line of duty.

Melanie A. Millhorn  
Traci Carpenter  
April 17, 2006  
Page 5

3. Failure to adopt will complicate IRS filings and prolong review process.

Failure to meet qualification requirements means that both retroactive and prospective corrections are required. Qualification status goes to the plan as a whole. If under state law, an administrative agency is not authorized to disregard or sever a provision that causes a qualification failure, the plan as a whole would be jeopardized.

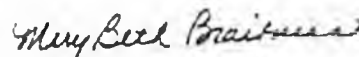
#### IRAs

Failure to adopt could result in taxable benefits to some groups.

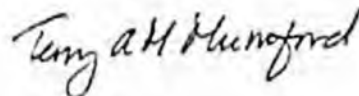
Please let us know if this letter responds to your questions.

Very truly yours,

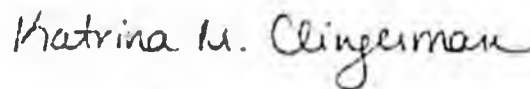
ICE MILLER LLP



Mary Beth Braitman



Terry A.M. Mumford



Katrina M. Clingerman

cc: Virginia Ragle

# STATE OF ALASKA

## DEPARTMENT OF ADMINISTRATION

### DIVISION OF RETIREMENT AND BENEFITS

FRANK H. MURKOWSKI, GOVERNOR

PO BOX 110203  
JUNEAU, AK 99811-0203  
TDD: (907) 465-2805  
FAX: (907) 465-3086  
PHONE: (907) 465-4460  
TOLL-FREE 1-800-821-2251

April 18, 2006

The Honorable Paul Seaton, Chair  
The Honorable Kevin Meyer, Co-Chair  
The Honorable Mike Chenault, Co-Chair  
House State Affairs Committee  
House Finance Committee  
Alaska State House of Representatives  
Juneau, Alaska 99801

Re: Questions Involving PERS and TRS Plan Qualification and CSHB 475

Dear Representative Seaton, Meyer and Chenault:

Attached is an overview prepared by attorneys from the law firm of Ice Miller, the federal tax experts retained by the State, regarding the Internal Revenue Service (IRS) plan determination process, the benefits of passing CSHB 475, and the consequences that would result from not passing CSHB 475.

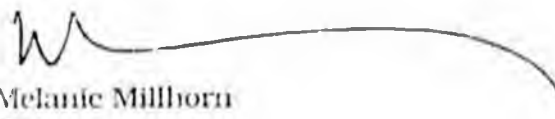
As explained in the overview, IRS qualification provides plan members with significant federal tax benefits. Failure to obtain qualified status for the plans would deprive plan members of these expected benefits.

If CSHB 475 is not passed, qualification of the plan as a whole would be jeopardized, because the statutes that create the new plans do not authorize the Department of Administration to disregard or sever any provision that causes a qualification failure. Future enactment of corrections that are applied retroactively might also be problematic, because retroactive changes could affect vested rights that are protected under Article XII, Section 7 of the Alaska Constitution.

In addition to adverse affects to plan members identified in Ice Miller's letter, failure of the plans to obtain IRS qualification would adversely affect employers, including the State, political subdivisions, and school districts, which would have to establish and implement new tax reporting procedures for employer and employee contributions to, and earnings on, individual member accounts.

Please let me know if you have any questions about this correspondence.

Sincerely,



Melanie Millhorn  
Director

Chair Seaton, House State Affairs  
Co-Chairs, Kevin Meyer and Mike Chenault  
House Finance Committee  
April 18, 2006  
Page 2

cc: Members of House Finance Committee

Scott J. Nordstrand, Commissioner  
Department of Administration

Kevin Brooks, Deputy Commissioner  
Department of Administration

Michael Tibbles, Deputy Commissioner  
Department of Administration

Traci Carpenter, Project Manager  
Department of Administration

Virginia Ragle, Assistant Attorney General  
Department of Law



April 17, 2006

WRITER'S DIRECT NUMBER: (317) 236-2413  
DIRECT FAX: (317) 592-4616  
INTERNET: DEATMAN@ICEMILLER.COM

WRITER'S DIRECT NUMBER: (317) 236-2219  
DIRECT FAX: (317) 592-4713  
INTERNET: TERRY.MUMFORD@ICEMILLER.COM

WRITER'S DIRECT NUMBER: (317) 236-2405  
DIRECT FAX: (317) 592-4702  
INTERNET: KATRINA.CLINGEMAN@ICEMILLER.COM

VIA E-MAIL

Melanie A. Millhorn, Director  
Traci Carpenter, Project Manager  
Alaska Administration Retirement & Benefits  
6<sup>th</sup> Floor State Office Building  
P.O. Box 110203  
Juneau, AK 99811-0203

*Re: CSHB 475*

Dear Melanie and Traci:

You have asked us to prepare for you an overview of the following topics:

1. Mechanics of the plan determination process and filings with Internal Revenue Service ("IRS") when a state implements a new retirement plan;
2. Benefits of passing CSHB 475 from the perspective of compliance with the Internal Revenue Code ("Code") and IRS process; and
3. Consequences of not passing CSHB 475 from the perspective of Code compliance and IRS process.

**BACKGROUND**

**PERS Tier 4 and TRS Tier 3**

The new PERS Tier 4 and TRS Tier 3 plans (the "New Plans") are intended to be qualified governmental plans under Code Section 401(a). Code Section 401(a) covers defined benefit plans, defined contribution plans, and plans that contain elements of both. Establishing and maintaining qualified status of the New Plans is critical for the employees who participate in the plans and their beneficiaries. In order to know that the New Plans are qualified, Alaska is seeking IRS "determination letters" for them. This is the procedure that has been followed in the past for the existing PERS and TRS plans and is certainly a "best practice" in the pension world.

Melanie A. Millhorn  
Traci Carpenter  
April 17, 2006  
Page 2

## HRAs

SB 141 also established health reimbursement accounts ("HRAs"). The IRS has recently issued guidance on the structure of HRAs. These rules must be followed in order to have non-taxable benefits for employees, spouses, and their dependents. The IRS has been very strict in their interpretation of these new rules. The only mechanism for seeking IRS approval of the HRA structure is a private letter ruling.

### IMPORTANCE OF QUALIFIED STATUS – FOR NEW PLANS

It is very important to establish and maintain the New Plans as qualified governmental plans for the following reasons:

1. Employer contributions are not taxable to members as they are made (or even when vested); taxation only occurs when plan distributions are made.
2. Earnings and income are not taxed to the trust or the members (until distribution).
3. Favorable tax treatments may be available to members when they receive plan distributions; for example, the ability to rollover eligible distributions.
4. Employers and members do not pay employment taxes (even if the positions are Social Security covered) when contributions are made or when benefits are paid.
5. Members have protection of their benefits in a bankruptcy situation.
6. Qualified plans have an approved status with respect to international investments and foreign tax recaptures.
7. Qualified plans may use IRS correction mechanisms in the case of operational failures.

State and local governments are generally exempt from taxation, so the benefits of qualified status flow to the members.

### MECHANICS OF THE PLAN DETERMINATION PROCESS – FOR NEW PLANS

#### What is filed with the IRS?

Requests for favorable determination letters have been filed with the IRS for each of the New Plans, but those requests need to be revised. The primary focus of the determination letter is compliance with "form requirements" — those plan provisions that are required as a condition

Melanie A. Millhorn  
Traci Carpenter  
April 17, 2006  
Page 3

of qualification under Code Section 401(a). In the case of the New Plans, the plan document would be SB 141, CSHB 475 (if passed), and administrative rules.

**What do states do while the determination letter application is pending?**

You have asked whether, in the normal course of events, states that are implementing a new retirement plan proceed with implementation while a determination letter is pending or delay implementation of a plan pending favorable rulings from the IRS. It has been our experience that states take a variety of approaches, depending on the legislation or process that leads to the adoption of the plan. Where a statute does not require delay until a determination letter is issued, it has been our experience that states move ahead with implementation while the determination letter is pending.

**What is the timetable for receiving an IRS determination?**

The IRS often takes more than one year to issue a final determination letter. During that time period an IRS agent may ask for clarification of provisions and may request amendments of the plan document. If an amendment is requested, the IRS may issue a determination letter contingent on the adoption of the amendment. The amendment would have to be adopted within 90 days of the issuance of the determination letter.

**What happens if the IRS decides that New Plans have disqualifying provisions?**

Code Section 401(b) governs the ability of a qualified plan to make retroactive remedial amendments in order to maintain qualified status. The period in which retroactive corrections are allowed is known as the "remedial amendment period."

If corrections are made by the end of the remedial amendment period, the amendments are treated as retroactively effective throughout the entire remedial amendment period and the plan is deemed to have satisfied the qualification requirements of Code Section 401(a) during that time.

The remedial amendment period begins for a new plan, such as PERS Tier 4 and TRS Tier 3, on the effective date of the plan. For a governmental plan, Notice 89-8, 1989-1 C.B. 628, sets the end of the remedial amendment period at the last day of the seventh month after the end of the plan year in which the remedial amendment period begins. By filing a request for a determination letter, Alaska has preserved its right to retroactively amend the New Plans back to the effective date.

Based upon this IRS guidance, we believe that Alaska has been proactive in filing its determination letters so promptly and in the proposed update of those letters. The determination

Melanie A. Millhorn  
Traci Carpenter  
April 17, 2006  
Page 4

letter is based upon the "administrative record" that is presented to the IRS, so it is important for Alaska to continue to update the IRS with any changes to the plan document.

### BENEFITS OF PASSING CSIB 475

#### PERS Tier 4 and TRS Tier 3

Passing CSIB 475 would have the following benefits for members in the New Plans:

1. Clarify nature of New Plans to make sure DB-type benefits for those with occupational disability and their survivors are paid from New Plans.
2. Clarify nature of New Plan as to public safety officer retirement benefit options to make sure those benefits are paid from New Plans.
3. Restructure line of duty death benefit so that it would comply with IRC. Failure to adopt will deny tax-favored benefit to survivor.
4. Shorten the IRS review time because the "plan document" for the new tiers would be established in a way that would match up with IRS guidance.

#### HRAs

Passing CSIB 475 would have the following benefit with respect to the new HRA structure:

Restructure HRA contributions to clarify that contribution is uniformly calculated, thereby strengthening position that all benefits will be non-taxable.

### CONSEQUENCES OF NOT PASSING CSIB 475

#### PERS Tier 4 and TRS Tier 3

Failure to pass CSIB 475 would have the following consequences for members of the New Plans:

1. Failure to adopt CSIB 475 will restrict the ability to offer occupational death and disability benefits for members.
2. Failure to adopt CSIB 475 will restrict the ability to offer optional PERS retirement to police/fire injured in line of duty.

Melanie A. Millhorn  
Traci Carpenter  
April 17, 2006  
Page 5

3. Failure to adopt will complicate IRS filings and prolong review process.

Failure to meet qualification requirements means that both retroactive and prospective corrections are required. Qualification status goes to the plan as a whole. If under state law, an administrative agency is not authorized to disregard or sever a provision that causes a qualification failure, the plan as a whole would be jeopardized.

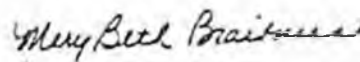
#### HRAs

Failure to adopt could result in taxable benefits to some groups.

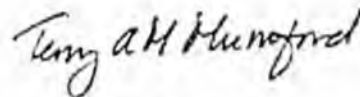
Please let us know if this letter responds to your questions.

Very truly yours,

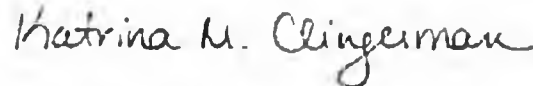
ICE MILLER LLP



Mary Beth Braitman



Terry A.M. Mumford



Katrina M. Clingerman

cc: Virginia Ragle

# ALASKA STATE LEGISLATURE

*Chair*  
STATE AFFAIRS

*Member*  
RESOURCES

*Member*  
HEALTH, EDUCATION AND SOCIAL SERVICES

*Member*  
WAYS AND MEANS

**REPRESENTATIVE PAUL SEATON**  
House District 35

*Session:*  
State Capitol Building  
Juneau, Alaska 99801  
Phone 907-465-2689  
Fax 907-465-3472  
1-800-665-2689  
Rep.Paul.Seaton@legis.state.ak.us

*Interim:*  
345 W. Sterling Highway  
Suite 102B  
Homer, Alaska 99603  
Phone 907-235-2921  
Fax 907-235-4008

## Sponsor Statement CSHB 475

HB 475 is a clean up bill to the Retirement Security Act (SB 141) that passed in 2005. Due to the length of SB 141, a handful of errors and oversights were made that need to be changed for a smooth transition to Tier IV. HB 475 is a technical bill. It is not intended to include any policy changes.

Revisions encompassed in HB 475:

1. Clarifies the procedure for an appeal to the Office of Administrative Hearings
2. Requires employer to contribute at least the normal cost rate starting in 2008
3. Changes the requirements to receive a conditional service benefit
4. Clarifies provisions regarding PERS/TRS death and disability benefits, including how those benefits will be funded
  - a. Funding death and disability benefits
  - b. The structure of death and disability benefits
  - c. Survivor benefit
5. Clarifies the eligibility requirements for medical benefits
6. Clarifies requirements for non-vested Tier II or Tier III employees who wish to transfer to Tier IV
7. Clarifies the basis for calculating employer contribution rates
8. Gives regulatory authority to the appropriate party
9. Changes the basis for calculating HRA employer contributions to meet IRS tax qualifications
10. Definitions
11. Disallows employment with NEA as counting towards Tier IV retirement eligibility
12. Establishes provisions for employer termination of participation in the plan
13. Clarifies defined benefit and defined contribution components of the plan
14. Establishes adherence to IRS limitations

The above listed changes are not absolutely necessary for Tier IV to come on line July 1, 2006. However, these revisions clarify many aspects of the statutes, providing a benefit both to the plan and members. If changes are not made, many crucial decisions will be left to the Administrator of the plan without proper guidance from the legislature.





# NEA-ALASKA

*Affiliated with the National Education Association*

4-18

## TESTIMONY ON HB 475 TOM HARVEY, NEA-ALASKA EXECUTIVE DIRECTOR

Co-Chair Chenault, Co-Chair Meyer and members of the House Finance Committee, my name is Tom Harvey and I serve as the Executive Director of NEA-Alaska. NEA-Alaska represents over 11,400 active public school employees and over 1,300 retirees. I appreciate the opportunity to testify on HB 475.

Today we are here looking at HB 475 which "is a clean up bill to" SB 141. The reason for HB 475 is that SB 141 is flawed. One reason it is flawed is because it was hurried through the legislative process. More importantly, it is bad public policy. Do not make the same mistake with HB 475. Take the time to get all the corrections to SB 141 done. NEA-Alaska urges you to amend HB 475 and delay the implementation of SB 141 until July 1, 2008.

AS 24.08.036 relates specifically to bills affecting the state retirement systems.

### *AS 24.08.036. Fiscal notes on bills affecting retirement systems.*

Before a bill which would have an effect on the retirement systems of the state is reported to the rules committee, there shall be attached to the bill an analysis of the long-term and short-term costs to the state if the bill is adopted, as well as the impact of the bill on the actuarial soundness of the fund. The analysis is in addition to the fiscal note requirements of AS 24.08.035.

Last session, NEA-Alaska urged you to consider the impact on the present retirement plans if the plans are closed and, thus, the payroll based contributions are reduced. There was testimony that there was no impact. Today we know better. According to the Administration, "employer rates for past service costs will continue to rise as amortized liability is applied to a shrinking payroll paid to members of the defined benefit plans." Thus, not only did SB 141 not address the liability of the retirement plans, it increased the liability for employers. Are you sure that the proposed change will not lead to a greater liability? Do you have the actuarial data to make this determination? NEA-Alaska believes the answer is no to both questions. Thus, I repeat NEA-Alaska's request that you amend HB 475 and delay the implementation of SB 141 until July 1, 2008.

Are you sure that the proposal to delay the effective date until 2008 of the provision in SB 141 that establishes a floor on employer contributions does not add liability to the plans and ultimately the taxpayers? If you delay the requirement for a minimum normal cost contribution rate for all those employers that are behind in payments, does that not mean the plans will have even less money for investment purposes and thus add to the liability. Remember, the lowering of employer contribution rates beginning in 1998 had a lot to do with the "unfunded liability" today. The reason, the plans did not have those contributions to invest. While you allow some to recover their "over contribution", many will not contribute the minimum amount needed to begin the recovery of the plans. Thus, I repeat NEA-Alaska's request that you amend HB 475 and delay the implementation of SB 141 until July 1, 2008.

Clarifying the provisions regarding how the PERS/TRS death and disability benefits will be funded, is a sound proposal. The question is, "what is the actual cost". For 2006-2007 the rates are established. For each year thereafter the rates "will be actuarially calculated." What assumptions will be used for this calculation? What does this mean in increased costs? The answers to these questions are what AS 24.08.036 require. The answers may not be a liability to the plans, but the answers are surely a liability to the employers and the State of Alaska. If you do not have the answers, NEA-Alaska's request that you amend HB 475 and delay the implementation of SB 141 until July 1, 2008.

I would seek clarification of the rationale for the amendment to clarify the basis for calculating employer contribution rates. I believe the reasoning states that the "dollar contributions would remain the same, but the past service cost rate would escalate to over 100%." What does this mean in terms of the elimination of the "unfunded liability?" Would we be eradicating it sooner? Would the DB plans have funding ratios over 100%? And if the answer to those questions is yes, is that not what we want? Remember the ad hoc Post Retirement Pension Adjustment can only be awarded if the fund ratio exceeds 105%. We want the fund ratio to be at least 106% each year so the ad hoc PRPA can be awarded. Otherwise the retirees' pensions will be eroded annually by inflation above 2%.

Changing the basis for the calculating HRA contributions to meet IRS tax qualification status is prudent. The question is what does that do to the employer costs? As SB 141 is presently written, an employer pays on the salary base of their employees, not the entire plan. I suspect that the Municipality of Anchorage has a wage base lower than many other employers in the state. Thus, this change would be a major added cost to Anchorage. Because SB 141 was not properly drafted, municipalities were not able to address this issue. For the sake of good public input, NEA-Alaska's request that you amend HB 475 and delay the implementation of SB 141 until July 1, 2008.

The definition that "clearly defines that a DOL or DEED member whose position requires a teaching certificate is in IRS and not PERS", should earn NEA-Alaska's support. But it does not. The language change actually gives the employer the choice, not the employee. The old language allowed the employee the opportunity to choose, if they had the ability to hold a teaching certificate.

NEA-Alaska does support the amendment to disallow employment with NEA as counting towards retirement eligibility.

Before I close my remarks, I want to make it clear that NEA-Alaska's criticism of HB 475, which is really a failing grade for SB 141, is not a reflection on the sponsor, Rep. Seaton. We believe that if he and the House State Affairs Committee had been given the time to develop the original HB 238 last year, it could have led to a hybrid solution that would have been a good solution for all parties. The committee was not given the time. Provide the time by amending HB 475 and delaying the implementation of SB 141 until July 1, 2008.

As the committee knows from NEA-Alaska's testimony last year, we believe a defined benefits plan is far superior to a defined contributions plan for retirement purposes for public employees. We understand the concerns of the entire legislature that predictability of costs and limitation of liability must be primary components of any new plan. NEA-Alaska believes a defined benefits plan can be fashioned based on a set contribution from the employer and the employee and the legislature should have the opportunity to choose between SB 141 and such a plan. Last year's forced choice was not good public policy. Thus, I repeat NEA-Alaska's request that you amend HB 475 and delay the implementation of SB 141 until July 1, 2008.

Thank you for your time.

# STATE OF ALASKA

## DEPARTMENT OF ADMINISTRATION

DIVISION OF RETIREMENT AND BENEFITS

FRANK H. MURKOWSKI, GOVERNOR

PO BOX 110203  
JUNEAU, AK 99811-0203  
TDD: (907) 465-2805  
FAX: (907) 465-3086  
PHONE: (907) 465-4460  
TOLL-FREE 1-800-821-2251

March 28, 2006

The Honorable Bruce Weyhrauch  
Chair, Special Committee on Ways and Means  
House of Representatives  
State Capitol, Room 421  
Juneau, Alaska 99801

APR 02 2006

Re: Response to IRS Questions

Dear Representative Weyhrauch:

First, I want to apologize for my delay in response to your letter written on February 27, 2006. I have re-stated your questions received below in italics with responses immediately following.

1. *Does the Tier IV retirement plan created by SB 141 require any rulings or determinations by the IRS before it can become effective?*

The short answer is "no". Deloitte Consulting advised the Division that the Tier IV PERS and Tier III TRS retirement plans created by SB 141 do not require any ruling or determinations by the IRS before they can become effective.

Further Deloitte stated, "Since favorable tax treatment is not dependent upon actual receipt of a Private Letter Ruling (PLR), and since it is likely that favorable letters will be forthcoming from the Service, the State and its participating employers should not allow any delays in the issuance of the PLR letters to delay implementation of the defined contribution plans".

2. *Has the state requested IRS Rulings?*

Yes. The Division of Retirement and Benefits contacted Deloitte in September of 2005, and requested Plan Determination Letters (PDL) and Private Letter Rulings (PLR) be obtained for the new PERS and TRS defined contribution retirement plans established under SB 141.

3. *Has the State received any information about the Tier IV and III plans or correspondence related to the plans from the IRS, if so, please provide copies.*

Yes. Attached are copies of correspondence dated January 31, 2006 from the IRS confirming that the applications for determinations were received. These confirmation letters represent the only correspondence the Division has received from the IRS.

Please let me know if you have any questions about this correspondence.

Sincerely,



Melanie Millhorn  
Director

Enclosure(s)

cc: Members of Special Committee on Ways and Means

Scott J. Nordstrand, Commissioner  
Department of Administration

Kevin Brooks, Deputy Commissioner  
Department of Administration

Michael Tibbles, Deputy Commissioner  
Department of Administration

# FISCAL NOTE

STATE OF ALASKA  
2006 LEGISLATIVE SESSION

Fiscal Note Number: 1  
Bill Version: CSHB 475(STA)  
(H) Publish Date: 3/17/06

Revision Date/Time (Note if correction): 3/7/06 7:56 a.m. Dept. Affected: Administration  
Title: An Act relating to public employees' and teachers' redefined contribution retirement plans. RDU: Centralized Administrative Services  
Component: Retirement and Benefits  
Sponsor: Representative Seaton  
Requester: House State Affairs Component No.: 64

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>						
-------------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

HB 475 is a bill that provides clarifying revisions to SB 141 passed by the 24th Alaska Legislature and enacted as ch. 9, FSSLA 2005. Some of the provisions include the following: identifies a funding source for teachers' disability and death benefits; identifies a funding source for disabled police/fire members who elect a monthly retirement benefit under 39.35.890(h)(2); clarifies periods of disability and death benefits to constitute membership service; clarifies that a member or survivor is not entitled to elect distributions from the member's individual account while receiving disability or death benefits; clarifies provisions for appeals and definitions.

This bill has no fiscal impact on the Division of Retirement and Benefits.

Prepared by: Melanie Milhorn, Director Phone: 465-4408  
Division: Retirement and Benefits Date/Time: 3/7/06 7:56 AM  
Approved by: Mike Tibbles, Deputy Commissioner Date: 3/7/2006  
Agency: Department of Administration

# ALASKA STATE LEGISLATURE

*Chair*  
STATE AFFAIRS

*Member*  
RESOURCES

*Member*  
HEALTH, EDUCATION AND SOCIAL SERVICES

*Member*  
WAYS AND MEANS

**REPRESENTATIVE PAUL SEATON**  
House District 35

*Session:*  
State Capitol Building  
Juneau, Alaska 99801  
Phone 907-465-2689  
Fax 907-465-3472  
1-800-665-2689  
Rep.Paul.Seaton@legis.state.ak.us

*Interim:*  
345 W. Sterling Highway  
Suite 102B  
Homer, Alaska 99603  
Phone 907-235-2921  
Fax 907-235-1008

## MEMORANDUM

---

**TO:** Representative Kevin Meyer, Co-Chair  
House Finance Committee

**FROM:** Representative Paul Seaton

**DATE:** Tuesday, April 11, 2006

**RE:** Additional Back-up for CSHB 475

I have include additional information for the House Finance Committee on CSHB 475 version L  
Re: Revisions to the Retirement Security Act

Attached please find: memo to the committee outlining changes between CSHB 475(STA) version I and work draft CSHB 475 version L; sponsor statement; abbreviated sectional analysis; and detailed sectional analysis.

Staff contact: Katie Shows, 2028



# ALASKA STATE LEGISLATURE

*Chair*  
STATE AFFAIRS

*Member*  
RESOURCES

*Member*  
HEALTH, EDUCATION AND SOCIAL SERVICES

*Member*  
WAYS AND MEANS

*Session:*  
State Capitol Building  
Juneau, Alaska 99801  
Phone 907-465-2689  
Fax 907-465-3472  
1-800-665-2689  
Rep.Paul.Seaton@legis.state.ak.us

*Interim:*  
345 W. Sterling Highway  
Suite 102B  
Homer, Alaska 99603  
Phone 907-235-2921  
Fax 907-235-1008

**REPRESENTATIVE PAUL SEATON**  
House District 35

---

## MEMORANDUM

**TO:** House Finance Committee  
**FROM:** Representative Paul Seaton  
**DATE:** April 11, 2006  
**RE:** CSHB 475, Version L

Below I have outlined the changes between the version of CSHB475(STA) and the version that is before the House Finance Committee (version L). Additional revisions to the bill were necessary after Retirement and Benefits conferred with their legal tax council, Ice Miller, LLC. The abbreviated sectional analysis and detailed sectional analysis have both been updated to reflect the blank CS before the committee.

### Changes between HB475 version I and version L:

- Deletes the extension from 120 to 180 days that the Office of Administrative Hearings has to issue appeals (Sec. 31, Sec. 32, Sec. 73).
- Sets an immediate effective date for the retroactive repeal to July 1, 2005 of the provision in SB 141 that required employers to never contribute below the normal cost rate (Sec. 82, Sec. 79).
- Establishes that a member who becomes disabled is immediately vested in the employer and employee contributions upon disability regardless of years of service (Sec. 12, Sec. 51, Sec. 53). Sec. 48 was unintentionally included in the CS. It is duplicate language on the same topic and needs to be deleted.



**ALASKA STATE LEGISLATURE**  
**REPRESENTATIVE PAUL SEATON**  
House District 35

- Provides a definition of occupational disability (Sec. 17, Sec. 57).
- Establishes a trust in which to place the payments on behalf of a survivor's retirement benefit while they are receiving a death benefit (Sec. 16, Sec. 20, Sec. 21, Sec. 61).
- Clarifies that when an employer matches an employee's retirement contributions for the purpose of transfer from a DB plan to a DC plan the maximum dollar amount of the employer match may not exceed federal limits (Sec. 22, Sec. 47, Sec. 64).
- Defines employer normal cost and past service cost rate in statute (Sec. 2, Sec. 36).
- Clarifies that the retirement plans established in SB 141 have both DB and DC components and points out the distinctions between the two and which IRS codes the respective portions fall under (Sec. 5, Sec. 6, Sec. 9, Sec. 10, Sec. 23, Sec. 43, Sec. 49, Sec. 63).
- Clarifies that employee voluntary contributions to their retirement account are subject to federal limits in order to qualify as tax exempt (Sec. 7, Sec. 45).
- Deletes references to past service date.



## Abbreviated Sectional Analysis for CSHB 475 v.L

### **1. Clarifies the procedure for an appeal to the Office of Administrative Hearings (OAH)**

Sec. 31, Sec. 32, Sec. 41, Sec. 72, Sec. 73

Change: Adds the Supplemental-benefit-annuity Plan (SBS), Health Reimbursement Arrangement (HRA) Plan, Deferred Compensation Plan, and waivers of adjustment under the PERS and TRS Defined Benefit (DB) plans to the jurisdiction of the OAH. Gives members the authority to appeal the administrator's decision to the OAH.

Reason: These changes are necessary to give all applicable appellants the authority to appeal to the OAH.

### **2. Requires employers to contribute at least the normal cost rate starting in 2008**

Sec. 3, Sec. 38, Sec. 77, Sec. 79, Sec. 80, Sec. 82

Change: Retroactively repeals the provision in SB 141 that establishes a floor on employer contributions and reinserts it with a delayed effective date (2008).

Reason: A handful of communities have assets that exceed their liabilities. By delaying the effective date they have a few years to contribute below the normal cost rate so their assets can match their liabilities before the minimum normal cost contribution rate will be required.

### **3. Changes the requirements to receive a conditional service benefit and a public service benefit.**

Sec. 4, sec. 39, Sec. 40, Sec. 78, Sec. 81

Change: Removes the provision that allows PERS and TRS employees to repay refunded contributions for the purpose of obtaining a conditional/ public service benefit with a delayed effective date (2010).

Reason: Right now a member who refunded out of one plan (TRS or PERS) could qualify for retirement benefits in the other plan. By paying back a minimum of 2 years of indebtedness in the first plan a person could be eligible for a pension and medical benefit in *both* plans. Also, currently any member that has refunded out of the system can re-enter employment, pay back their indebtedness, and become a member of the Tier they belonged to at the time of employment. This represents a significant unknown liability to the system. The above change gives former PERS/TRS members four years to re-enter employment and payback their service.

**4. Clarifies provisions regarding PERS/TRS death and disability benefits, including how those benefits will be funded.**

**4a. Funding death and disability benefits**

Sec. 8, sec. 46, Sec. 74

Change: Establishes that the amount an employer needs to contribute for death and disability benefits will be actuarially calculated each year and placed into a separate trust account, except for the first year when contributions for police/fire will be .4%, PERS other .3% and TRS .22%.

Reason: If occupational death and disability benefits are not funded it creates an unfunded liability to the system. All employers need to pay into a system wide trust so the benefit is not a liability to each employer individually.

**4b. The structure of death and disability benefits**

Sec. 12, Sec. 13, Sec. 14, sec. 15, Sec. 17, Sec. 18, Sec. 51, Sec. 52, Sec. 53, Sec. 54, Sec. 55, Sec. 57, Sec. 58

Change: A disabled member is immediately vested in 100% of the employer and employee contributions upon disability. A period spent receiving disability benefits counts as membership service towards vesting. A member is not allowed to take money out of their DC account while receiving disability benefits. Disability benefits terminate when the member first qualifies for normal retirement. However, a member who becomes eligible for normal retirement while receiving disability benefits will be treated as if they were Medicare eligible age for the purpose of qualifying for retiree medical benefits. Death and disability benefits for PERS and TRS members mirror current Tier III benefits. Upon reaching normal retirement age, a disabled police/fire member may choose either their DC account or a pension benefit as if they were in Tier III. If they elect to have their retirement in a monthly pension, the pension will first be paid out of the members individual DC trust account. Provides a definition of occupational disability.

Reason: Details of death and disability benefits were not provided in SB 141. These changes clarify the intent of the legislature last year to provide death and disability benefits for all members.

**4c. Survivor benefits**

Sec. 16, Sec. 19, Sec. 20, Sec. 21, Sec. 22, Sec. 59, Sec. 60, Sec. 61, Sec. 62

Change: Clarifies that a survivor's benefit terminates when the beneficiary is no longer eligible or the deceased member would have reached normal retirement. A period spent receiving death benefits counts as membership service for vesting purposes. A survivor is not allowed to take money out of the deceased member's DC account while receiving survivor benefits. Establishes that funds paid towards a survivor's retirement benefit will be paid into a separate trust account in order to meet IRS tax qualifications.

**5. Clarifies the eligibility requirements for medical benefits.**

Sec. 11, Sec. 34, Sec. 35, Sec. 50, Sec. 56

Change: Requires someone who originally declined to participate in the retiree major medical and latter so wishes must provide a letter that proves they have had continuous coverage or demonstrate proof of insurability. Clarifies that a member has access to their Health Reimbursement Arrangement (HRA) without retiring directly from the system. Fixes a drafting error that requires a member to meet eligibility requirements for both PERS and TRS to qualify for the HRA.

Reason: Without requiring continuous coverage the plan is exposed to an unknown liability in built up medical treatment. It was the intent of the legislature last year to give the member ownership of the HRA, similar to a DC account, and not require that you retire directly from the system to gain access to it.

**6. Clarifies requirements for non-vested Tier II or Tier III employees who wish to transfer to Tier IV**

Sec. 24, Sec. 25, Sec. 26, Sec. 27, Sec. 28, Sec. 47, Sec. 64, Sec. 65, Sec. 66, Sec. 67, Sec. 68

Change: Gives employees 12 months from when they are notified that they can transfer from the DB plan to the DC plan to do so. Allows employers to open the transfer option up to employees for a second 12-month period. Clarifies that membership service under a DB plan counts towards vesting once you transfer to the DC plan. However, refunded service by a member will not count towards vesting unless the member has paid back the indebtedness. Clarifies that the employer can only match up to the IRS limit when matching employer contributions for purposes of the transfer.

Reason: A time limit needed to be placed on the transfer option otherwise employers would be opening themselves up to an unknown liability. Clarification on the allowable contribution amount ensures the plan meets IRS standards.

**7. Clarifies the basis for calculating employer contribution rates**

Sec. 1, Sec. 2, Sec. 36, Sec. 37

Change: Specifies that the past service cost will be applied to the employer's entire wage base. Adds a definition of employer normal cost and past service cost rate.

Reason: Even though DC members do not have a past service cost, all of the previous calculations and analysis use the entire wage base to calculate the past service cost payment as a percentage rate. Though the dollar contributions would remain the same, without this provision the past service cost rate would escalate to over 100% for DB members. This change provides consistency.

**8. Gives regulatory authority to the appropriate party**

Sec. 29, Sec. 30

Change: Changes the authority for adopting SBS regulations from the ARM board to the Commissioner of Administration.

Reason: In the transfer of authorities under SB 141, this section was overlooked.

**9. Changes the basis for calculating HRA contributions to meet IRS tax qualified status**

Sec. 33

Change: Changes the basis for calculating the 3% employer contribution for the HRA from the wage base of each individual employer to the wage base of the plan.

Reason: Without this change the plan is discriminatory and it would not qualify for IRS tax-exempt status.

**10. Definitions**

Sec. 42, Sec. 70, sec. 71, Sec. 75

Change: Repeals duplicative section regarding the definition of administrator. Provides a clear definition of peace officer and fire fighter under the DC plan. Establishes that 'member' and 'employee' have the same meaning throughout the statute. Clearly defines that a DOL or DEED member whose position requires a teaching certificate is in TRS and not PERS.

Reason: Clean-up language.

**11. Disallows employment with National Education Association (NEA) as counting towards Tier IV retirement eligibility**

Sec. 75

Change: Repeals participation of NEA employees in TRS.

Reason: NEA is no longer an eligible TRS employer, however, statutes were duplicated during the drafting of SB 141 and this section was inadvertently included.

## **12. Establishes provisions for employer termination**

Sec. 69

Change: Establishes the procedure for employer termination in the DC plan, mirroring DB language. An employer can choose to terminate participation for subgroups of its employees. When the employer terminates the employee is considered fully vested in the employer and employee contributions and the HRA. A new employer may choose to participate only in the DC plan.

Reason: Currently employers can terminate participation in the Tier I, II and III plans, however no provisions were included in SB 141 to allow employer termination from the Tier IV plan.

## **13. Clarifies defined benefit and defined contribution components of the plan**

Sec. 5, Sec. 6, Sec. 9, Sec. 10, Sec. 23, Sec. 43, Sec. 44, Sec. 49 Sec. 63

Change: Clarifies that the retirement plans established in SB 141 have both DB and DC components and points out the distinctions between the two and which IRS codes the respective portions fall under.

Reason: This change clarifies what IRS category the plan falls under and consequently the rules that have to be followed. Without the change the plan runs the risk of not qualifying for IRS tax-exempt status.

## **14. Establishes adherence to IRS limitations**

Sec. 7, Sec. 45

Clarifies that employee voluntary contributions to their retirement account are subject to federal limits in order to qualify as tax exempt.

Finance Committee Substitute for House Bill 475(STA) Work Draft \L

Sectional Analysis

---

**Sec. 1** AS 14.25.070(a). Changes the calculation of the employer contributions so that the normal cost rate is applied only to the payroll base of DB plan members and the past service rate is applied to the employer's entire payroll base.

Reason: The current statutes defining contributions by employers reference contributions to the "plan" and specify that the employer contribution rate will be applied to the salaries paid to "members." This amendment allows the contribution rate for past service costs to be applied to the entire payroll base of the employers' workforce without regard to plan (tier) membership, and will keep employer contribution rates for the DB plan lower than would otherwise be calculated.

Consequence: Without amendment, employer rates for past service costs under the DB plan will continue to rise as the amortized liability is applied to a shrinking payroll paid to members of the DB plan. However, this will neither increase the employers' liability nor will it relieve the employers of the liability, it merely restates the liability as a higher percentage of applicable payroll.

Related bill sections: Sec. 2, AS 14.25.070(d)-(e); Sec. 37, AS 39.35.270(a).

**Sec. 2** AS 14.25.070(d)-(e). Adds definitions for "employer normal cost rate" and "past service rate."

Reason: In combination with Sec. 1 of this bill, this amendment changes the calculation of the employer contributions so that the normal cost rate is applied only to the payroll base of DB plan members and the past service rate is applied to the employer's entire payroll base. The TRS employer contribution statutes have never contained these definitions because the TRS is a multi-employer shared cost pool. However, the TRS rates developed by the actuary are still based upon normal costs and past service costs.

Related bill sections: Sec. 1, AS 14.25.070(a); Sec. 36 AS 39.35.250.

**Sec. 3** AS 14.25.070(f). Establishes a floor on the employer contribution rate at no less than the normal cost rate, effective July 1, 2008.

Reason: This change, combined with the repeal of AS 14.25.070(b) and the effective date in Sec. 80, delays the effective date of the requirement of SB 141 that the employer contribution rate must be not less than the normal cost rate.

Related bill sections: Sec. 38, AS 39.35.270(d); Sec. 76; Sec. 79; Sec. 80.

**Sec. 4** AS 14.25.125(c). Effective July 1, 2010, removes the provision that allows members to repay refunded contributions for the purpose of obtaining a conditional service benefit.

Reason: This statute was overlooked in the repeal by SB 141 of the reinstatement of service provisions. AS 14.25.125 allows persons who are eligible for a normal or early retirement salary under PERS to qualify for a normal or early "conditional service" retirement benefit under TRS if he or she has at least two years of credited service in TRS. Members are allowed to reinstate refunded service credit in order to qualify for the conditional service benefit under AS 14.25.125(c). The conditional service benefit is very expensive because it results in payment of medical premiums and other medical charges from both the PERS and TRS for a single retiree.

Consequence: Without change, refunded TRS members will be treated differently under separate statutes. It would also continue to allow an "off-books" liability in the DB plan, one that can be neither accounted for nor paid until an eligible member applies for the benefit.

Related bill sections: Sec. 40, AS 39.35.385(c).

**Sec. 5** AS 14.25.320(b). Clarifies that the retirement plans established by SB 141 are hybrid plans, containing both defined benefits and defined contributions, which fall under the Internal Revenue Code section 414(k).

Reason: This is one of several conforming amendments necessary to pay all the benefits required in accordance with the intent of SB 141 and the retirement plans contained therein. SB 141 provides both guaranteed fixed benefits for certain eligible persons as well as benefits based upon defined contributions to an individual account, medical benefits, and medical expense reimbursements. This type of plan structure is provided for under 26 USC 414(k) "Certain plans." These changes, in combination with others, are designed to clarify the structure of the new retirement plans in order to successfully obtain a favorable ruling from the IRS.

Consequence: If this amendment is not adopted, the IRS may not recognize and apply the special rules of the §414(k) structure which may result in an IRS plan determination failure.

Related bill sections: Sec. 6, AS 14.25.320(c); Sec. 9, AS 14.25.380; Sec. 10, AS 14.25.400(b); Sec. 23, AS 14.25.510; Sec. 43, AS 39.35.710(b); Sec. 44, AS 39.35.710(c); Sec. 47, AS 39.35.780; Sec. 49, AS 39.35.800(b); Sec. 63, AS 39.35.910.

**Sec. 6** AS 14.25.320(c). Clarifies that the retirement plans established by SB 141 are hybrid plans, containing both defined benefits and defined contributions, which fall under the Internal Revenue Code section 414(k).

Reason: This is one of several conforming amendments necessary to pay all the benefits required in accordance with the intent of SB 141 and the retirement plans contained therein. SB 141 provides both guaranteed fixed benefits for certain eligible persons as well as benefits based upon defined contributions to an individual account, medical benefits, and medical expense reimbursements. This type of plan structure is provided for under 26 USC 414(k) "Certain plans." These changes, in combination with others, are designed to clarify the structure of the new retirement plans in order to successfully obtain a favorable ruling from the IRS.

Consequence: If this amendment is not adopted, the IRS may not recognize and apply the special rules of the §414(k) structure which may result in an IRS plan determination failure.

Related bill sections: Sec. 5, AS 14.25.320(b); Sec. 9, AS 14.25.380; Sec. 10, AS 14.25.400(b); Sec. 23, AS 14.25.510; Sec. 43, AS 39.35.710(b); Sec. 44, AS 39.35.710(c); Sec. 47, AS 39.35.780; Sec. 49, AS 39.35.800(b); Sec. 63, AS 39.35.910.

**Sec. 7** AS 14.25.340(c). Clarifies that any voluntary contributions made by an employee under AS 14.25.340(b) can only be made with pre-tax dollars to the extent permitted under federal law.

Reason: The Internal Revenue Code allows pre-tax contributions only if the employee does not have the option of choosing to receive the contributed amounts directly instead of having them paid by the employer to the retirement plan. This is the case for contributions mandated by statute; however, a voluntary contribution clearly does not meet this test. Under certain restricted arrangements that involve a one-time irrevocable election, the IRS will allow voluntary contributions on a picked-up (pre-tax) basis. This amendment allows the State the flexibility to define such a restricted arrangement in both regulation and in its Private Letter Ruling request.

Related bill sections: Sec. 45, AS 39.35.730(c).

**Sec. 8** AS 14.25.350(e). Requires employers in the Teachers' Retirement System (TRS) to pay occupational disability and death benefits through contributions actuarially calculated, which will be deposited to a separate trust account.

Reason: This was an inadvertent omission in drafting the bill in conference committee. The "trust account" language clarifies that these contributions are treated differently and kept separate from the contributions to the plan's individual member accounts.

Consequence: The consequence of not enacting this amendment is that there will be no funding source from which to pay TRS occupational disability and death benefits.

Related bill sections: Sec. 46, AS 39.35.750(e); Sec. 78.

**Sec. 9 AS 14.25.380.** Clarifies that only the defined contributions paid into a member's individual account are subject to the limitations of 26 USC 415(c) and not the contributions employers make for the fixed benefits contained in the plans (occupational disability, survivor's pension, etc.). Additionally, the fixed benefits paid to eligible persons are subject to the limitations of §415(b) under the Internal Revenue Code.

Reason: This is one of several conforming amendments necessary to pay all the benefits required in accordance with the intent of SB 141 and the retirement plans contained therein. SB 141 provides both guaranteed fixed benefits for certain eligible persons as well as benefits based upon defined contributions to an individual account, medical benefits, and medical expense reimbursements. This type of plan structure is provided for under 26 USC 414(k) "Certain plans." These changes, in combination with others, are designed to clarify the structure of the new retirement plans in order to successfully obtain a favorable ruling from the IRS.

Consequence: If this amendment is not adopted, the IRS may not recognize and apply the special rules of the §414(k) structure which may result in an IRS plan determination failure.

Related bill sections: Sec. 5, AS 14.25.320(b); Sec. 6, AS 14.25.320(c); Sec. 10, AS 14.25.400(b); Sec. 23, AS 14.25.510; Sec. 43, AS 39.35.710(b); Sec. 44, AS 39.35.710(c); Sec. 47, AS 39.35.780; Sec. 49, AS 39.35.800(b); Sec. 63, AS 39.35.910.

**Sec. 10 AS 14.25.400(b).** Clarifies that a participant may only direct the investment of the funds held in the participant's individual account by making the distinction between the defined contribution accounts and the fixed benefit accounts established under the plans.

Reason: This is one of several conforming amendments necessary to pay all the benefits required in accordance with the intent of SB 141 and the retirement plans contained therein. SB 141 provides both guaranteed fixed benefits for certain eligible persons as well as benefits based upon defined contributions to an individual account, medical benefits, and medical expense reimbursements. This type of plan structure is provided for under 26 USC 414(k) "Certain plans." These changes, in combination with others, are designed to clarify the structure of the new retirement plans in order to successfully obtain a favorable ruling from the IRS.

Consequence: If this amendment is not adopted, the IRS may not recognize and apply the special rules of the §414(k) structure which may result in an IRS plan determination failure.

Related bill sections: Sec. 5, AS 14.25.320(b); Sec. 6, AS 14.25.320(c); Sec. 9, AS 14.25.380; Sec. 23, AS 14.25.510; Sec. 43, AS 39.35.710(b); Sec. 44, AS 39.35.710(c); Sec. 47, AS 39.35.780; Sec. 49, AS 39.35.800(b); Sec. 63, AS 39.35.910.

**Sec. 11** AS 14.25.470(g). Requires a person who originally chose not to participate in the retiree major medical plan, but who later chooses to participate, to provide a letter of continuous coverage or proof of insurability.

Reason: The Division of Retirement and Benefits had anticipated the provisions for application for retirement and medical benefits would be handled by regulation. However, the plain wording of the statute seems to leave the choice to the eligible person regardless of their health status.

Consequence: Without amendment, the statute leaves the retiree major medical insurance plan open to adverse selection and unpredictable costs.

Related bill sections: Sec. 50, AS 39.35.870(g).

**Sec. 12** AS 14.25.485(b). Clarifies the termination of a disability benefit when a person no longer meets the requirements to receive occupational disability benefits.

Reason: The intent of an occupational disability benefit is to provide an income for a person who is no longer able to work due to an injury sustained on-the-job. In combination with Sec. 17 of this bill, the amendment makes it clear that if a person is able to perform the duties of another available and comparable position, regardless of employer, then that person no longer meets the requirements to receive occupational disability benefits.

Related bill sections: Sec. 17, AS 14.25.485(j); Sec. 51, AS 39.35.890(b).

**Sec. 13** AS 14.25.485(c). Clarifies that a period of disability benefits constitutes membership service in regard to determining eligibility for retirement and medical benefits including the Health Reimbursement Arrangement (HRA).

Reason: The statutes do not mention vesting in medical benefits during a period of disability benefits. However, the intent is implied by the requirement for continuing employer contributions into the individual account, the HRA, and health insurance fund while a member is receiving disability benefits. The employer must also make the member's contributions to the individual contribution account.

Related bill sections: Sec. 52, AS 39.35.890(c).

**Sec. 14** AS 14.25.485(d). Provides that a member who receives disability benefits from the plan is 100% vested in all the employer contributions made to the member's individual account, regardless of years of service worked, once the member is appointed to disability. Clarifies that a member is not entitled to elect distributions from the member's individual account while receiving disability benefits.

Reason: This amendment relates specifically to the continuing employer contributions required under AS 14.25.485(d). 26 USC 415(c)(3)(C) provides special rules that allow the compensation of a disabled member for any year subsequent to the disability to be considered equivalent to the rate of compensation immediately prior to the disability. However, these rules only apply if the contributions are nonforfeitable when made.

Because a disabled member must terminate employment, the disabled member will arguably become eligible for distributions from the individual contribution account under AS 14.25.410. The apparent intent of the disability benefit is to provide an income until such time as a disabled member becomes eligible for the benefits from a "normal retirement." During a period of disability benefits, the employer is required to make continuing employer contributions into the individual account, the HRA, and health insurance fund. The employer must also make the member's contributions to the individual contribution account. The purpose of these contributions would seem to be to accumulate funding for retirement benefits available to the member once the normal retirement date is reached and disability benefits end.

Consequence: If this amendment is not adopted, the special rules of 26 USC 415(c)(3)(C) would not apply, the member's compensation would be zero for the year following disability, and the allowable contributions would therefore be zero. As a result, the benefits could not be paid in accordance with AS 14.25.485. Also, a disabled member may be able to elect distributions from the member's individual account prior to becoming eligible for normal retirement. This could be regarded as "double dipping," and as thwarting the intent of the legislature to provide a retirement benefit once the disability benefit ends.

Related bill sections: Sec. 20, AS 14.25.487(c); Sec. 53, AS 39.35.890(d); Sec. 60, AS 39.35.892(c).

**Sec. 15 AS 14.25.485(g).** Clarifies the termination of disability benefits when a disabled member first qualifies for normal retirement.

Reason: Technical for administrative purposes. Conforms to other benefit payment provisions.

Related bill sections: Sec. 54, AS 39.35.890(g).

**Sec. 16 AS 14.25.485(i).** Changes made to this subsection, which is related to the benefits for a survivor of a disabled member who dies while receiving disability benefits, mirror other changes being made to the disability and death statutes throughout this bill. The changes are: (1) clarifies the termination of a survivor's pension; (2) clarifies that a survivor cannot access the member's individual account while receiving a survivor's pension; (3) clarifies the normal retirement benefits available to a survivor; and (4) clarifies that the period of disability benefits and the period of survivor benefits constitute membership service for vesting in employer contributions, and eligibility for medical benefits and the Health Reimbursement Arrangement.

Reason: This is a conforming amendment. See the related bill sections referenced below.

Related bills sections: Sec. 13, AS 14.25.485(c); Sec. 19, AS 14.25.487(b); Sec. 20, AS 14.25.487(c); Sec. 21, AS 14.25.487(e); Sec. 56, AS 39.35.890(k).

**Sec. 17 AS 14.25.485(j).** Clarifies the definition of occupational disability.

Reason: The intent of an occupational disability benefit is to provide an income for a person who is no longer able to work due to an injury sustained on-the-job. This definition is slightly different from the definition under AS 39.35.680. In combination with Sec. 12 of this bill, the amendment makes it clear that if a person is able to perform the duties of another available and comparable position, regardless of employer, then that person no longer meets the requirements to receive occupational disability benefits.

Related bill sections: Sec. 12, AS 14.25.485(b); Sec. 57, AS 39.35.890(l).

**Sec. 18 AS 14.25.486.** Adds an annual cost-of-living adjustment (COLA) to disability benefits equal to 75% of the increase in the Anchorage Consumer Price Index or 9%, whichever is less.

Reason: This amendment is needed to meet the legislative intent of providing occupational disability and occupational death benefits that are commensurate with those provided to members of PERS Tier III and TRS Tier II.

Consequence: If this amendment is not enacted, occupational disability and occupational death benefits of the new retirement tiers will not be comparable to those under PERS Tier III and TRS Tier II. The monthly disability benefits will remain static from year to year without adjustment for inflation.

Related bills sections: Sec. 58, AS 39.35.891.

**Sec. 19 AS 14.25.487(b).** Clarifies the termination of a survivor's pension under the occupational death benefit provisions, including the end of death benefits when a dependent child no longer meets the definition of dependent.

Reason: The death benefit statute unambiguously states when the benefits will begin and when they will end, omitting termination of the death benefit the last month in which there is an eligible child. A dependent child receiving occupational death benefits might argue that death benefits must be paid until the date the deceased member would have retired, without regard to the age of the child. The disability statute [AS 14.25.485(i)], however, includes language terminating a survivor's benefit (from a disabled member who died while receiving disability) the last month in which there is an eligible surviving spouse or child. This appears to be a conflict of intent.

Consequence: Failure to amend this statute may jeopardize plan qualification because the IRC definition of "dependent" [26 USC, §151 and §152] includes age requirements for distribution to a dependent child under a qualified plan.

Related bill sections: Sec. 59, AS 39.35.892(b).

**Sec. 20 AS 14.25.487(c).** Clarifies that a survivor of a deceased member is not entitled to elect distributions from the member's individual account while receiving survivor benefits. Clarifies that the continuing contributions required by the employer are made on behalf of the surviving spouse and member's dependent children rather than "beneficiaries." Directs all continuing contributions by the employer into the occupational disability and death trust account in accordance with the Internal Revenue Code (IRC).

Reason: The death benefit provides an income, and eventually retirement benefits, for the family of a member who dies in the line of duty. However, the beneficiaries of a deceased member are arguably immediately eligible for distributions from the individual contribution account under AS 14.25.410. This change preserves the individual account until the survivor is eligible for the normal retirement benefit. The situation is similar to that described under Sec. 14 [AS 14.25.485(d)]. Please see Sec. 21 below for an explanation of the changes required by the IRC.

Consequence: If the clarifications are not enacted, a deceased member's surviving spouse, dependent children, or other beneficiaries may be able to elect distributions from the member's individual account prior to the date the member would have qualified for normal retirement had the member lived. As with distributions taken during a member's disability, this could be regarded as "double dipping," and as thwarting the intent of the legislature to provide eligible survivors with a retirement benefit once the death benefit ends. This scenario has more complications – including possible tax reporting requirements - than the disability provisions because the member's surviving spouse and/or dependent children may not be the only beneficiaries.

Related bill sections: Sec. 14, AS 14.25.485(d); Sec. 21, AS 14.25.487(e); Sec. 60, AS 39.35.892(c).

**Sec. 21 AS 14.25.487(e).** Revises the language regarding the continuing contributions employers make on behalf of survivors of members who died occupationally. The contributions will be an actuarially calculated amount required to yield the same results as under SB 141; however, the contributions will be made into the trust account established for occupational disability and death benefits rather than into the member's individual account. The benefits will also be paid from the occupational disability and death trust account. This amendment also clarifies that the period of death benefits constitutes membership service for determining vesting in employer contributions and eligibility for medical benefits and the Health Reimbursement Arrangement.

Reason: Unlike the special rules under 26 USC 415(c)(3)(C) that allow the compensation of a disabled member for any year subsequent to the disability to be considered equivalent to the rate of compensation immediately prior to the disability, there is no corresponding rule for a deceased participant. Thus, there would be no compensation for a deceased member in the year after death and, therefore, no allowable contributions to the deceased member's individual account. The solution this amendment proposes is to make contributions to an account that is allowable under the Internal Revenue Code and add an "additional benefit" that is equal to the amount that would have been contributed to the member's individual account had the member survived, plus an earnings credit.

Consequence: If this amendment is not adopted, the State will not receive a favorable ruling from the Internal Revenue Service and will not be able to pay the intended retirement benefits to survivors.

Related bill sections: Sec. 16, AS 14.25.485(i); Sec. 20, AS 14.25.487(c); Sec. 61, AS 39.35.892(e).

**Sec. 22** AS 14.25.488. Adds an annual cost-of-living adjustment (COLA) to the survivor's pension benefit equal to 50% of the increase in the Anchorage Consumer Price Index or 6%, whichever is less. Persons who are receiving a survivor's pension who are age 60 or older and persons who have received a survivor's pension for at least 8 years are eligible for the COLA.

AS 14.25.489. Adds a provision that a person whose disability or survivor benefits are terminated due to eligibility for a normal retirement benefit will be treated as if that person is eligible for Medicare, regardless of age, for the purpose of cost-sharing medical premiums with the Plan.

Reason: These amendments are needed to meet the legislative intent of providing occupational disability and occupational death benefits that are commensurate with those provided to members of PERS Tier III and TRS Tier II.

Consequence: If these amendments are not enacted, occupational disability and occupational death benefits of the new retirement tiers will not be comparable to those under PERS Tier III and TRS Tier II. The monthly disability and survivor benefits will remain static from year to year without adjustment for inflation. Disabled members and survivors who have not reached the age required for Medicare eligibility when they qualify for a normal retirement benefit will have to pay 100% of the monthly premium for retiree major medical insurance.

Related bills sections: Sec. 62, AS 39.35.893, AS 39.35.894.

**Sec. 23** AS 14.25.510. Clarifies that the nonguarantee clause relates only to the defined contribution portion of the retirement plans. The fixed benefits contained under these plans are defined by statute.

Reason: This is one of several conforming amendments necessary to pay all the benefits required in accordance with the intent of SB 141 and the retirement plans contained therein. SB 141 provides both guaranteed fixed benefits for certain eligible persons as well as benefits based upon defined contributions to an individual account, medical benefits, and medical expense reimbursements. This type of plan structure is provided for under 26 USC 414(k) "Certain plans." These changes, in combination with others, are designed to clarify the structure of the new retirement plans in order to successfully obtain a favorable ruling from the IRS.

Consequence: If this amendment is not adopted, the IRS may not recognize and apply the special rules of the §414(k) structure which may result in an IRS plan determination failure.

Related bill sections: Sec. 5, AS 14.25.320(b); Sec. 6, AS 14.25.320(c); Sec. 9, AS 14.25.380; Sec. 10, AS 14.25.400(b); Sec. 43, AS 39.35.710(b); Sec. 44, AS 39.35.710(c); Sec. 47, AS 39.35.780; Sec. 49, AS 39.35.800(b); Sec. 63, AS 39.35.910.

**Sec. 24 AS 14.25.540(c).** Clarifies that the employer match required under the conversion from the defined benefit plan to the defined contribution plan is subject to Internal Revenue Code contribution limitations. The amendment limits the total employer match to the maximum allowed during the limitation year in which the transfer occurs.

Reason: Because the amount that an employer must match under the conversion option is "new money," it has never been subject to Code limitations. 26 USC 415(c) imposes an annual limit on contributions to a defined contribution plan to the lesser of \$44,000 or 100% of employee compensation. In addition, the contributions of the PERS and TRS defined contribution retirement plans are required to be aggregated with the contributions of the SBS Plan.

Consequence: Contributions above the limitations of §415(c) are not allowable under federal law, therefore, any excess contributions must be returned to the employer.

Related bill sections: Sec. 64, AS 39.35.940(c).

**Sec. 25 AS 14.25.540(d).** Clarifies that transferred membership from the defined benefit (DB) plan to the defined contribution retirement (DCR) plan will be applied to vesting in both the employer's matching contribution and subsequent contributions.

Reason: The bill is silent on this issue. Ambiguity about whether a member's DB plan service applies to vesting in DCR plan employer contributions may prevent members who would otherwise benefit from transferring from making the decision to transfer.

Related bill sections: Sec. 65, AS 39.35.940(d).

**Sec. 26 AS 14.25.540(h).** Provides a time limit -- 12 months from the date the employer consents to the conversion -- within which an eligible member must make the decision to transfer from the DB plan to the DCR plan.

Reason: Under SB 141, an employer's decision to allow its employees to convert is irrevocable and employees have up until the day before they become vested in the Teachers' Retirement System DB plans to convert. However, a plan does not satisfy the qualifications of a §401(a) plan if it includes a cash or deferred arrangement. Treasury Regulation 1.401(k)-1(a)(3) does provide for certain one-time elections. The Division of Retirement and Benefits has received legal tax counsel that implementing a time limit for the decision-making process would meet the requirements of the Treasury Regulation.

Consequence: Without amendment, the State may not receive a favorable plan ruling. Also, because of the open-ended timeframe, employers that would otherwise benefit from consenting to transfers may make the decision not to consent because of annual budgeting uncertainty.

Related bill sections: Sec. 27, AS 14.25.540(i); Sec. 66, AS 39.35.940(h).

**Sec. 27 AS 14.25.540(i).** An employer who makes a conversion election will have an initial 12-month window open to its eligible employees for transfer from the DB plan to the DCR plan. At the end of the initial 12-month period, the employer may consent to an additional 12-month period open only to those eligible employees to whom the option was not available during the initial period.

Reason: Allowing an employer to elect to consent to transfers during an additional 12-month period provides the employer with the opportunity to achieve greater cost savings if the employer determines that consenting to additional transfers is beneficial. However, in order to meet the requirements of Treasury Regulation 1.401(k)-1(a)(3) for certain one-time elections, the second period will be limited to those employees who did not have the choice during the initial period. The Division of Retirement and Benefits has received legal tax counsel that this particular arrangement has received favorable rulings by the IRS for other plans.

Consequence: Without amendment, the State may not receive a favorable plan ruling.

Related bill sections: Sec. 26, AS 14.25.540(h); Sec. 67, AS 39.35.940(i).

**Sec. 28 AS 14.25.540(j).** Adds a definition of "membership service" for purposes of clarifying what service credit is eligible for transfer from the DB plan to the DCR plan and disallows years of service for which contributions have not been fully repaid; i.e., reinstatement of refunded contributions, or indebtedness.

Reason: If a DB plan member has an outstanding indebtedness for refunded contributions, the years of service associated with that indebtedness are not credited back to the member until the indebtedness, including interest, has been fully paid. This change clarifies this process for the conversion option so there is no ambiguity as to: (1) the dollar amount of the member's contributions to be transferred and matched by the employer; and (2) the number of years of service to be counted toward vesting in benefits of the DCR plan.

Consequence: Without amendment, it is unclear whether full service, partial service, or no service credit associated with an indebtedness should be transferred to the new plan. To allow such service to be transferred would be inconsistent with the current statutory provisions of the DB plan (AS 14.25.062).

Related bill sections: Sec. 68, AS 39.35.940(j).

**Sec. 29 AS 39.30.160(a).** Changes the authority for adopting regulations for the Supplemental Benefits System-Annuity Plan (SBS) program from the Alaska Retirement Management Board (ARMB) to the Commissioner of Administration.

Reason: Part of the reform to the retirement systems was a regulation authority change from the prior Public Employees' Retirement Board (PERB) to the Commissioner of Administration. The reference to the PERB in the SBS statute that provides authority for adoption of regulations was changed to the ARMB along with the many other reference changes. SBS regulations, like PERS regulations, relate to administrative matters to be adopted by the Commissioner.

Consequence: If the amendment is not made, in practice, the Division of Retirement and Benefits will draft regulations for administration of the SBS plan for the ARMB's review and approval.

Related bill sections: Sec. 30, AS 39.30.160(e).

**Sec. 30 AS 39.30.160(e).** Changes the reference from "board" to "commissioner".

Reason: This completes the change of authority for adopting regulations for the SBS program. See Sec. 29 above.

Related bill sections: Sec. 29, AS 39.30.160(a).

**Sec. 31 AS 39.30.165.** Adds a provision under the Supplemental Benefits System-Annuity Plan program for a member, annuitant, or beneficiary to appeal a decision of the administrator to the Office of Administrative Hearings (OAH).

Reason: This was an inadvertent omission in transferring all appeals functions to the OAH.

Consequence: Without amendment, appeals will have to be sent to the superior court.

Related bill sections: Sec. 32, AS 39.30.335; Sec. 72, AS 39.45.055; Sec. 73, AS 44.64.030(a).

**Sec. 32 AS 39.30.335.** Adds a provision under the Health Reimbursement Arrangement Plan for a member to appeal a decision of the administrator to the Office of Administrative Hearings.

Reason: This was an inadvertent omission in transferring all appeals functions to the OAH.

Consequence: Without amendment, appeals will have to be sent to the superior court.

Related bill sections: Sec. 31, AS 39.30.165; Sec. 72, AS 39.45.055; Sec. 73, AS 44.64.030(a).

**Sec. 33 AS 39.30.370.** Changes the employer contribution from an individual employer contribution amount to a uniform employer contribution amount for all participants of the Health Reimbursement Arrangement Plan.

Reason: As currently written, the HRA statutes require a separate calculation for each employer on that employer's average annual employee compensation, resulting in a different employer contribution amount for each of the 214 participating employers under PERS and TRS. Employer data for FY 2005 shows the average annual employee compensation for employers is diverse, especially within the PERS. Calculations for PERS demonstrate a probable range of monthly employer contributions from as little as \$11 per member to as high as \$205 per member (see Attachment #1). There is less difference among TRS employers but there is still disparity. Additionally, the data shows a PERS employer *group* average would result in a \$100 per month per member contribution whereas a TRS employer *group* average would result in a \$138 per month per member contribution. Employers that participate in both PERS and TRS (primarily school districts) will have different contributions for their PERS and TRS employees.

The disparity in the amount of contributions that will be made by employers to the HRA if it is implemented as it is currently written raises issues of discrimination under federal tax law [Internal Revenue Code 105(h)]. The Department of Law and the Division of Retirement and Benefits are consulting with contracted outside tax counsel on this. There is no discrimination issue if the contribution rate is changed to a uniform amount for all HRA Plan participants.

Consequence: There are several consequences of not changing the statute. Members of the same plan will be receiving different contribution amounts depending on their employer, and members that work for the same school district will receive different amounts depending on their retirement system membership (PERS or TRS). The Division of Retirement and Benefits will need to submit a private letter ruling request to the IRS regarding compliance of the current formula. That ruling is likely to take a year or longer (the IRS is not addressing section 105(h) issues at this time) and may still require a legislative amendment.

**Sec. 34 AS 39.30.380.** Removes the conflict between eligibility for retirement and medical benefits and the statutes that define eligibility for the Health Reimbursement Arrangement Plan.

Reason: One of the medical benefits available under AS 14.25.480 and AS 39.35.880 is access to the HRA. It is not clear whether the eligibility language in AS 14.25.470 and AS 39.35.870 requiring a member to have been an active member for 12 months before application for retirement is only associated with the "retire directly from the system" requirement or whether it is one of the eligibility requirements the legislature intended to apply for purposes of eligibility for HRA reimbursements.

Consequence: Without amendment, there is an ambiguity in the HRA eligibility provisions.

**Sec. 35 AS 39.30.390.** Changes eligibility for reimbursement from the Health Reimbursement Arrangement to persons who meet the eligibility requirements for retirement and medical benefits under either PERS or TRS, rather than under both.

Reason: This is a clarification. It is unlikely that the legislature intended that a member be eligible for retirement and medical benefits under both TRS and PERS in order to be eligible for HRA benefits.

**Sec. 36 AS 39.35.250.** Clarifies the definitions of "consolidated employer normal cost rate" and "past service rate."

Reason: This section has not been updated since 1977. These are technical changes recommended by the State's actuary to accurately reflect that the last benefit enhancements to the DB plan were enacted in 2001 and the entire amortization schedule was reset in 2002 when the process for valuing assets was changed from the corridor method to the smoothing method.

Related bill sections: Sec. 2, AS 14.25.070(d)-(e); Sec. 37, AS 39.35.270(a).

**Sec. 37 AS 39.35.270(a).** Changes the calculation of the employer contributions so that the normal cost rate is applied only to the payroll base of DB plan members and the past service rate is applied to the employer's entire payroll base.

Reason: The current statutes defining contributions by employers reference contributions to the "plan" and specify that the employer contribution rate will be applied to the salaries paid to "members." This amendment allows the contribution rate for past service costs to be applied to the entire payroll base of the employers' workforce without regard to plan (tier) membership, and will keep employer contribution rates for the DB plan lower than would otherwise be calculated.

Consequence: Without amendment, employer rates for past service costs under the DB plan will continue to rise as the amortized liability is applied to a shrinking payroll paid to members of the DB plan. However, this will neither increase the employers' liability nor will it relieve the employers of the liability, it merely restates the liability as a higher percentage of applicable payroll.

Related bill sections: Sec. 1, AS 14.25.070(a); Sec. 36, AS 39.35.250.

**Sec. 38 AS 39.35.270(d).** This change, combined with the repeal of AS 39.35.270(b) and the effective date in Sec. 80, delays the effective date of the requirement of SB 141 that the employer contribution rate must be not less than the normal cost rate.

Reason: This is the same language that currently exists under AS 39.35.270(b) as enacted by sec. 96, ch. 9, FSSLA 2005, which was effective July 1, 2005. A number of employers that did not have the opportunity to budget for the new contribution rates that resulted from this new requirement have been assessed contribution rates that are higher than anticipated for the current fiscal year.

Consequence: If this amendment and Sec. 76, Sec. 79, and Sec. 80 are not enacted, 24 currently active PERS employers will pay an increased contribution rate in FY 2006.

Related bill sections: Sec. 3, AS 14.25.070(f); Sec. 76; Sec. 79; Sec. 80.

**Sec. 39** AS 39.35.375(a). Effective July 1, 2010, removes the provision that allows employees to repay refunded contributions for the purpose of obtaining a public service benefit.

Reason: This statute was overlooked in the repeal by SB 141 of the reinstatement of service provisions. AS 39.35.375 allows an active PERS member who has never vested in TRS or PERS and who has cashed out TRS service to reinstate the TRS service credit to establish a "public service benefit."

Consequence: Without change, refunded PERS members will be treated differently under separate statutes. It would also continue to allow an "off-books" liability in the DB plan, one that can be neither accounted for nor paid until an eligible member applies for the benefit.

Related bill sections: Sec. 77, AS 39.35.375(f).

**Sec. 40** AS 39.35.385(c). Effective July 1, 2010, removes the provision that allows employees to repay refunded contributions for the purpose of obtaining a conditional service benefit.

Reason: This statute was overlooked in the repeal by SB 141 of the reinstatement of service provisions. AS 39.35.385 allows persons who are eligible for a normal or early retirement salary under TRS to qualify for a normal or early "conditional service" retirement benefit under PERS if he or she has at least two years of credited service in PERS. Members are allowed to reinstate refunded service credit in order to qualify for the conditional service benefit under AS 39.35.385(c). The conditional service benefit is very expensive because it results in payment of medical premiums and other medical charges from both the PERS and TRS for a single retiree.

Consequence: Without change, refunded PERS members will be treated differently under separate statutes. It would also continue to allow an "off-books" liability in the DB plan, one that can be neither accounted for nor paid until an eligible member applies for the benefit.

Related bill sections: Sec. 4, AS 14.25.125(c).

**Sec. 41** AS 39.35.522(d). Adds a provision for appeal to the Office of Administrative Hearings of the Commissioner's decisions on waiver requests under PERS.

Reason: SB 141 established a new procedure for persons seeking a waiver of adjustment to benefits paid made by the administrator. The new procedure requires filing a request with the Commissioner of Administration for the waiver. While the TRS statutes allow an appeal of the Commissioner's decision to the OAH, the PERS statutes do not. This was a drafting error.

Consequence: If the amendment is not made, PERS appeals from the Commissioner's waiver decisions will have to be sent to the superior court, which is costly. An alternative would be for the Commissioner to delegate authority to the OAH to make the PERS waiver decisions [AS 44.64.030(b)]. Under this scenario, the OAH could bill the Division for these services.

Related bill sections: Sec. 73, AS 44.64.030(a).

**Sec. 42** AS 39.35.680(3). Incorporates the reference to the new administrator section AS 39.35.003 into the definition of "administrator" under the PERS DB plan.

Reason: AS 39.35.050(a) is repealed in section 75 of the bill. This is a duplicative section regarding the administrator that was replaced with AS 39.35.003 in SB 141.

**Sec. 43** AS 39.35.710(b). Clarifies that the retirement plans established by SB 141 are hybrid plans, containing both defined benefits and defined contributions, which fall under the Internal Revenue Code section 414(k).

Reason: This is one of several conforming amendments necessary to pay all the benefits required in accordance with the intent of SB 141 and the retirement plans contained therein. SB 141 provides both guaranteed fixed benefits for certain eligible persons as well as benefits based upon defined contributions to an individual account, medical benefits, and medical expense reimbursements. This type of plan structure is provided for under 26 USC 414(k) "Certain plans." These changes, in combination with others, are designed to clarify the structure of the new retirement plans in order to successfully obtain a favorable ruling from the IRS.

Consequence: If this amendment is not adopted, the IRS may not recognize and apply the special rules of the §414(k) structure which may result in an IRS plan determination failure.

Related bill sections: Sec. 5, AS 14.25.320(b); Sec. 6, AS 14.25.320(c); Sec. 9, AS 14.25.380; Sec. 10, AS 14.25.400(b); Sec. 23, AS 14.25.510; Sec. 44, AS 39.35.710(c); Sec. 47, AS 39.35.780; Sec. 49, AS 39.35.800(b); Sec. 63, AS 39.35.910.

**Sec. 44** AS 39.35.710(e). Clarifies that the retirement plans established by SB 141 are hybrid plans, containing both defined benefits and defined contributions, which fall under the Internal Revenue Code section 414(k).

Reason: This is one of several conforming amendments necessary to pay all the benefits required in accordance with the intent of SB 141 and the retirement plans contained therein. SB 141 provides both guaranteed fixed benefits for certain eligible persons as well as benefits based upon defined contributions to an individual account, medical benefits, and medical expense reimbursements. This type of plan structure is provided for under 26 USC 414(k) "Certain plans." These changes, in combination with others, are designed to clarify the structure of the new retirement plans in order to successfully obtain a favorable ruling from the IRS.

Consequence: If this amendment is not adopted, the IRS may not recognize and apply the special rules of the §414(k) structure which may result in an IRS plan determination failure.

Related bill sections: Sec. 5, AS 14.25.320(b); Sec. 6, AS 14.25.320(c); Sec. 9, AS 14.25.380; Sec. 10, AS 14.25.400(b); Sec. 23, AS 14.25.510; Sec. 43, AS 39.35.710(b); Sec. 47, AS 39.35.780; Sec. 49, AS 39.35.800(b); Sec. 63, AS 39.35.910.

**Sec. 45 AS 39.35.730(c).** Clarifies that any voluntary contributions made by an employee under AS 39.35.730(b) can only be made with pre-tax dollars to the extent permitted under federal law.

Reason: The Internal Revenue Code allows pre-tax contributions only if the employee does not have the option of choosing to receive the contributed amounts directly instead of having them paid by the employer to the retirement plan. This is the case for contributions mandated by statute; however, a voluntary contribution clearly does not meet this test. Under certain restricted arrangements that involve a one-time irrevocable election, the IRS will allow voluntary contributions on a picked-up (pre-tax) basis. This amendment allows the State the flexibility to define such a restricted arrangement in both regulation and in its Private Letter Ruling request.

Related bill sections: Sec. 7, AS 14.25.340(c).

**Sec. 46 AS 39.35.750(e).** Adds a fund source in statute to pay for the monthly pension that may be elected by a disabled peace officer or fire fighter upon eligibility for normal retirement. Clarifies that the employer contributions for the defined benefits under this subsection (occupational disability, occupational death, and disabled peace officer/fire fighter retirement benefits) will be deposited to a separate trust account.

Reason: The legislature specified that a monthly pension benefit calculated under AS 39.35.370(c) elected by a disabled peace officer or fire fighter would *not* be paid out of the PERS defined benefit trust (AS 39.35.890((h)(2))); however, the legislature did not specify a funding source for those benefits. The "trust account" is new language to clarify these employer contributions are treated differently and kept separate from the contributions to the plan's individual member accounts. This language is also present in new subsection (e) of AS 14.25.350.

Consequence: The consequence of not enacting this amendment is that there will be no funding source from which to pay retirement benefits for disabled peace officers and fire fighters who elect to have their retirement benefits calculated under AS 39.35.370(e) once the normal retirement date is reached and disability benefits end.

Related bill sections: Sec. 8 AS 14.25.350(e); Sec. 55, AS 39.35.890(h).

**Sec. 47 AS 39.35.780.** Clarifies that only the defined contributions paid into a member's individual account are subject to the limitations of 26 USC 415(c) and not the contributions employers make for the fixed benefits contained in the plans (occupational disability, survivor's pension, etc.). Additionally, the fixed benefits paid to eligible persons are subject to the limitations of §415(b) under the Internal Revenue Code.

Reason: This is one of several conforming amendments necessary to pay all the benefits required in accordance with the intent of SB 141 and the retirement plans contained therein. SB 141 provides both guaranteed fixed benefits for certain eligible persons as well as benefits based upon defined contributions to an individual account, medical benefits, and medical expense reimbursements. This type of plan structure is provided for under 26 USC 414(k) "Certain plans." These changes, in combination with others, are designed to clarify the structure of the new retirement plans in order to successfully obtain a favorable ruling from the IRS.

Consequence: If this amendment is not adopted, the IRS may not recognize and apply the special rules of the §414(k) structure which may result in an IRS plan determination failure.

Related bill sections: Sec. 5, AS 14.25.320(b); Sec. 6, AS 14.25.320(c); Sec. 9, AS 14.25.380; Sec. 10, AS 14.25.400(b); Sec. 23, AS 14.25.510; Sec. 43, AS 39.35.710(b); Sec. 44, AS 39.35.710(c); Sec. 49, AS 39.35.800(b); Sec. 63, AS 39.35.910.

**Sec. 48 AS 39.35.790(b).** This is a duplicate amendment inserted by mistake. Reference Sec. 53 for correct amendment.

**Sec. 49 AS 39.35.800(b).** Clarifies that a participant may only direct the investment of the funds held in the participant's individual account by making the distinction between the defined contribution accounts and the fixed benefit accounts established under the plans.

Reason: This is one of several conforming amendments necessary to pay all the benefits required in accordance with the intent of SB 141 and the retirement plans contained therein. SB 141 provides both guaranteed fixed benefits for certain eligible persons as well as benefits based upon defined contributions to an individual account, medical benefits, and medical expense reimbursements. This type of plan structure is provided for under 26 USC 414(k) "Certain plans." These changes, in combination with others, are designed to clarify the structure of the new retirement plans in order to successfully obtain a favorable ruling from the IRS.

Consequence: If this amendment is not adopted, the IRS may not recognize and apply the special rules of the §414(k) structure which may result in an IRS plan determination failure.

Related bill sections: Sec. 5, AS 14.25.320(b); Sec. 6, AS 14.25.320(c); Sec. 9, AS 14.25.380; Sec. 10, AS 14.25.400(b); Sec. 23, AS 14.25.510; Sec. 43, AS 39.35.710(b); Sec. 44, AS 39.35.710(c); Sec. 47, AS 39.35.780; Sec. 63, AS 39.35.910.

**Sec. 50** AS 39.35.870(g). Requires a person who originally chose not to participate in the retiree major medical plan, but who later chooses to participate, to provide a letter of continuous coverage or proof of insurability.

Reason: The Division of Retirement and Benefits had anticipated the provisions for application for retirement and medical benefits would be handled by regulation. However, the plain wording of the statute seems to leave the choice to the eligible person regardless of their health status.

Consequence: Without amendment, the statute leaves the retiree major medical insurance plan open to adverse selection and unpredictable costs.

Related bill sections: Sec. 11, AS 14.25.470(g).

**Sec. 51** AS 39.35.390(b). Clarifies the termination of a disability benefit when a person no longer meets the requirements to receive occupational disability benefits.

Reason: The intent of an occupational disability benefit is to provide an income for a person who is no longer able to work due to an injury sustained on-the-job. In combination with Sec. 57 of this bill, the amendment makes it clear that if a person is able to perform the duties of another available and comparable position, regardless of employer, then that person no longer meets the requirements to receive occupational disability benefits.

Related bill sections: Sec. 12, AS 14.25.485(b); Sec. 57, AS 39.35.890(l).

**Sec. 52** AS 39.35.890(e). Clarifies that a period of disability benefits constitutes membership service in regard to determining eligibility for retirement and medical benefits including the Health Reimbursement Arrangement (HRA).

Reason: The statutes do not mention vesting in medical benefits during a period of disability benefits. However, the intent is implied by the requirement for continuing employer contributions into the individual account, the HRA, and health insurance fund while a member is receiving disability benefits. The employer must also make the member's contributions to the individual contribution account.

Related bill sections: Sec. 13, AS 14.25.485(e).

**Sec. 53** AS 39.35.890(d). Provides that a member who receives disability benefits from the plan is 100% vested in all the employer contributions made to the member's individual account, regardless of years of service worked, once the member is appointed to disability. Clarifies that a member is not entitled to elect distributions from the member's individual account while receiving disability benefits.

Reason: This amendment relates specifically to the continuing employer contributions required under AS 39.35.890(d). 26 USC 415(c)(3)(C) provides special rules that allow the compensation of a disabled member for any year subsequent to the disability to be considered equivalent to the rate of compensation immediately prior to the disability. However, these rules only apply if the contributions are nonforfeitable when made.

Because a disabled member must terminate employment, the disabled member will arguably become eligible for distributions from the individual contribution account under AS 39.35.810. The apparent intent of the disability benefit is to provide an income until such time as a disabled member becomes eligible for the benefits from a "normal retirement." During a period of disability benefits, the employer is required to make continuing employer contributions into the individual account, the HRA, and health insurance fund. The employer must also make the member's contributions to the individual contribution account. The purpose of these contributions would seem to be to accumulate funding for retirement benefits available to the member once the normal retirement date is reached and disability benefits end.

Consequence: If this amendment is not adopted, the special rules of 26 USC 415(c)(3)(C) would not apply, the member's compensation would be zero for the year following disability, and the allowable contributions would therefore be zero. As a result, the benefits could not be paid in accordance with AS 39.35.890. Also, a disabled member may be able to elect distributions from the member's individual account prior to becoming eligible for normal retirement. This could be regarded as "double dipping," and as thwarting the intent of the legislature to provide a retirement benefit once the disability benefit ends.

Related bill sections: Sec. 14, AS 14.25.485(d); Sec. 20, AS 14.25.487(c); Sec. 60, AS 39.35.892(c).

**Sec. 54** AS 39.35.890(g). Clarifies the termination of disability benefits when a disabled member first qualifies for normal retirement.

Reason: Technical for administrative purposes. Conforms to other benefit payment provisions.

Related bill sections: Sec. 15, AS 14.25.485(g).

**Sec. 55** AS 39.35.890(h). Specifies that the monthly pension benefit elected by a disabled peace officer or fire fighter under (2) of this subsection will be paid first from the member's individual account and then from the trust account established under AS 39.35.750(e). Also clarifies that a member who is a peace officer or fire fighter is not entitled to elect distributions from the member's individual account while receiving disability benefits.

Reason: This change is consistent with the method of payment applied under the current defined benefit plan. In the DB plan, the peace officer or fire fighter member who chooses the option to have a monthly benefit calculated under the provisions of the disability benefit is still receiving a normal retirement benefit. The employee contribution account is transferred to the Retirement Reserve account and benefits are paid from that account each month. The employee contribution account is drawn down first, then benefits are paid from the employer's contributions.

Consequence: The consequence of not enacting this amendment is that there will be an ambiguity in the statutes regarding the accounts used for payment of these benefits. See also Sec. 53, above.

Related bill sections: Sec. 53, AS 39.35.890(d)

**Sec. 56** AS 39.35.890(k). Changes made to this subsection, which is related to the benefits for a survivor of a disabled member who dies while receiving disability benefits, mirror other changes being made to the disability and death statutes throughout this bill. The changes are: (1) clarifies the termination of a survivor's pension; (2) clarifies that a survivor cannot access the member's individual account while receiving a survivor's pension; (3) clarifies the normal retirement benefits available to a survivor; and (4) clarifies that the period of disability benefits and the period of survivor benefits constitute membership service for vesting in employer contributions, and eligibility for medical benefits and the Health Reimbursement Arrangement.

Reason: This is a conforming amendment. See the related bill sections referenced below.

Related bills sections: Sec. 16, AS 14.25.485(i); Sec. 52, AS 39.35.890(c); Sec. 59, AS 39.35.892(b); Sec. 60, AS 39.35.892(c); Sec. 61, AS 39.35.892(e).

**Sec. 57** AS 39.35.890(l). Clarifies the definition of occupational disability.

Reason: The intent of an occupational disability benefit is to provide an income for a person who is no longer able to work due to an injury sustained on-the-job. This definition is slightly different from the definition under AS 39.35.680. In combination with Sec. 51 of this bill, the amendment makes it clear that if a person is able to perform the duties of another available and comparable position, regardless of employer, then that person no longer meets the requirements to receive occupational disability benefits.

Related bill sections: Sec. 17, AS 14.25.485(j); Sec. 51, AS 39.35.890(b).

**Sec. 58** AS 39.35.891. Adds an annual cost-of-living adjustment (COLA) to disability benefits, and to retirement benefits elected by disabled peace officers and fire fighters (P/F) under AS 39.35.890(h)(2), equal to 75% of the increase in the Anchorage Consumer Price Index or 9%, whichever is less.

Reason: This amendment is needed to meet the legislative intent of providing occupational disability and occupational death benefits that are commensurate with those provided to members of PERS Tier III and TRS Tier II.

Consequence: If this amendment is not enacted, occupational disability and occupational death benefits of the new retirement tiers will not be comparable to those under PERS Tier III and TRS Tier II. The monthly disability benefits and monthly P/F retirement benefits will remain static from year to year without adjustment for inflation.

Related bill sections: Sec. 18, AS 14.25.486.

**Sec. 59** AS 39.35.892(b). Clarifies the termination of a survivor's pension under the occupational death benefit provisions, including the end of death benefits when a dependent child no longer meets the definition of dependent.

Reason: The death benefit statute unambiguously states when the benefits will begin and when they will end, omitting termination of the death benefit the last month in which there is an eligible child. A dependent child receiving occupational death benefits might argue that death benefits must be paid until the date the deceased member would have retired, without regard to the age of the child. The disability statute [AS 39.35.890(k)], however, includes language terminating a survivor's benefit (from a disabled member who died while receiving disability) the last month in which there is an eligible surviving spouse or child. This appears to be a conflict of intent.

Consequence: Failure to amend this statute may jeopardize plan qualification because the IRC definition of "dependent" [26 USC, §151 and §152] includes age requirements for distribution to a dependent child under a qualified plan.

Related bill sections: Sec. 19, AS 14.25.487(b).

**Sec. 60** AS 39.35.892(c). Clarifies that a survivor of a deceased member is not entitled to elect distributions from the member's individual account while receiving survivor benefits. Clarifies that the continuing contributions required by the employer are made on behalf of the surviving spouse and member's dependent children rather than "beneficiaries." Directs all continuing contributions by the employer into the occupational disability and death trust account in accordance with the Internal Revenue Code (IRC).

Reason: The death benefit provides an income, and eventually retirement benefits, for the family of a member who dies in the line of duty. An employer is required to make the same continuing contributions as required for disabled members. The purpose of these contributions would seem to be to accumulate funding for retirement benefits available to the deceased member's surviving spouse once the normal retirement date is reached and death benefits end. However, the beneficiaries of a deceased member are arguably immediately eligible for distributions from the individual contribution account under AS 39.35.810. Additionally, the beneficiaries may not solely be the surviving spouse and or dependent children. The situation is similar to that described under Sec. 53 [AS 39.35.890(d)]. Please see Sec. 61 below for an explanation of the changes required by the IRC.

Consequence: If the clarifications are not enacted, a deceased member's surviving spouse, dependent children, or other beneficiaries may be able to elect distributions from the member's individual account prior to the date the member would have qualified for normal retirement had the member lived. As with distributions taken during a member's disability, this could be regarded as "double dipping," and as thwarting the intent of the legislature to provide eligible survivors with a retirement benefit once the death benefit ends. This scenario has more complications – including possible tax reporting requirements – than the disability provisions because the member's surviving spouse and/or dependent children may not be the only beneficiaries.

Related bill sections: Sec. 20, AS 14.25.487(c); Sec. 53, AS 39.35.890(d); Sec. 61, AS 39.35.892(e).

**Sec. 61 AS 39.35.892(e).** Revises the language regarding the continuing contributions employers make on behalf of survivors of members who died occupationally. The contributions will be an actuarially calculated amount required to yield the same results as under SB 141; however, the contributions will be made into the trust account established for occupational disability and death benefits rather than into the member's individual account. The benefits will also be paid from the occupational disability and death trust account. This amendment also clarifies that the period of death benefits constitutes membership service for determining vesting in employer contributions and eligibility for medical benefits and the Health Reimbursement Arrangement.

Reason: Unlike the special rules under 26 USC 415(c)(3)(C) that allow the compensation of a disabled member for any year subsequent to the disability to be considered equivalent to the rate of compensation immediately prior to the disability, there is no corresponding rule for a deceased participant. Thus, there would be no compensation for a deceased member in the year after death and, therefore, no allowable contributions to the deceased member's individual account. The solution this amendment proposes is to make contributions to an account that is allowable under the Internal Revenue Code and add an "additional benefit" that is equal to the amount that would have been contributed to the member's individual account, had the member survived, plus an earnings credit.

Consequence: If this amendment is not adopted, the State will not receive a favorable ruling from the Internal Revenue Service and will not be able to pay the intended retirement benefits to survivors.

Related bill sections: Sec. 21, 14.25.487(c); Sec. 56, AS 39.35.890(k); Sec. 60, AS 39.35.892(c).

**Sec. 62 AS 39.35.893.** Adds an annual cost-of-living adjustment (COLA) to the survivor's pension benefit equal to 50% of the increase in the Anchorage Consumer Price Index or 6%, whichever is less. Persons who are receiving a survivor's pension who are age 60 or older and persons who have received a survivor's pension for at least 5 years are eligible for the COLA.

**AS 39.35.894.** Adds a provision that a person whose disability or survivor benefits are terminated due to eligibility for a normal retirement benefit will be treated as if that person is eligible for Medicare, regardless of age, for the purpose of cost-sharing medical premiums with the Plan.

Reason: These amendments are needed to meet the legislative intent of providing occupational disability and occupational death benefits that are commensurate with those provided to members of PERS Tier III and TRS Tier II.

Consequence: If these amendments are not enacted, occupational disability and occupational death benefits of the new retirement tiers will not be comparable to those under PERS Tier III and TRS Tier II. The monthly disability, survivor, and P/F retirement benefits will remain static from year to year without adjustment for inflation. Disabled members and survivors who have not reached the age required for Medicare eligibility when they qualify for a normal retirement benefit will have to pay 100% of the monthly premium for retiree major medical insurance.

Related bill sections: Sec. 22, AS 14.25.488, AS 14.25.489.

**Sec. 63 AS 39.35.910.** Clarifies that the nonguarantee clause relates only to the defined contribution portion of the retirement plans. The fixed benefits contained under these plans are defined by statute.

Reason: This is one of several conforming amendments necessary to pay all the benefits required in accordance with the intent of SB 141 and the retirement plans contained therein. SB 141 provides both guaranteed fixed benefits for certain eligible persons as well as benefits based upon defined contributions to an individual account, medical benefits, and medical expense reimbursements. This type of plan structure is provided for under 26 USC 414(k) "Certain plans." These changes, in combination with others, are designed to clarify the structure of the new retirement plans in order to successfully obtain a favorable ruling from the IRS.

Consequence: If this amendment is not adopted, the IRS may not recognize and apply the special rules of the §414(k) structure which may result in an IRS plan determination failure.

Related bill sections: Sec. 5, AS 14.25.320(b); Sec. 6, AS 14.25.320(c); Sec. 9, AS 14.25.380; Sec. 10, AS 14.25.400(b); Sec. 23, AS 14.25.510; Sec. 43, AS 39.35.710(b); Sec. 44, AS 39.35.710(c); Sec. 47, AS 39.35.780; Sec. 49, AS 39.35.800(b).

**Sec. 64 AS 39.35.940(c).** Clarifies that the employer match required under the conversion from the defined benefit plan to the defined contribution plan is subject to Internal Revenue Code contribution limitations. The amendment limits the total employer match to the maximum allowed during the limitation year in which the transfer occurs.

Reason: Because the amount that an employer must match under the conversion option is "new money," it has never been subject to Code limitations. 26 USC 415(e) imposes an annual limit on contributions to a defined contribution plan to the lesser of \$44,000 or 100% of employee compensation. In addition, the contributions of the PERS and TRS defined contribution retirement plans are required to be aggregated with the contributions of the SBS Plan.

Consequence: Contributions above the limitations of §415(e) are not allowable, therefore, any excess contributions must be returned to the employer under federal law.

Related bill sections: Sec. 24, AS 14.25.540(c).

**Sec. 65 AS 39.35.940(d).** Clarifies that transferred membership from the DB plan to the DCR plan will be applied to vesting in both the employer's matching contribution and subsequent contributions.

Reason: The bill is silent on this issue. Ambiguity about whether a member's DB plan service applies to vesting in DC plan employer contributions may prevent members who would otherwise benefit from transferring from making the decision to transfer.

Related bill sections: Sec. 25, AS 14.25.540(d).

**Sec. 66 AS 39.35.940(h).** Provides a time limit – 12 months from the date the employer consents to the conversion -- within which an eligible member must make the decision to transfer from the DB plan to the DCR plan.

Reason: Under SB 141, an employer's decision to allow its employees to convert is irrevocable and employees have up until the day before they become vested in the Teachers' Retirement System DB plans to convert. However, a plan does not satisfy the qualifications of a §401(a) plan if it includes a cash or deferred arrangement. Treasury Regulation 1.401(k)-1(a)(3) does provide for certain one-time elections. The Division of Retirement and Benefits has received legal tax counsel that implementing a time limit for the decision-making process would meet the requirements of the Treasury Regulation.

Consequence: Without amendment, the State may not receive a favorable plan ruling. Also, because of the open-ended timeframe, employers that would otherwise benefit from consenting to transfers may make the decision not to consent because of annual budgeting uncertainty.

Related bill sections: Sec. 26, AS 14.25.540(h); Sec. 67, AS 39.35.940(i).

**Sec. 67 AS 39.35.940(i).** An employer who makes a conversion election will have an initial 12-month window open to its eligible employees for transfer from the DB plan to the DCR plan. At the end of the initial 12-month period, the employer may consent to an additional 12-month period open only to those eligible employees to whom the option was not available during the initial period.

Reason: Allowing an employer to elect to consent to transfers during an additional 12-month period provides the employer with the opportunity to achieve greater cost savings if the employer determines that consenting to additional transfers is beneficial. However, in order to meet the requirements of Treasury Regulation 1.401(k)-1(a)(3) for certain one-time elections, the second period will be limited to those employees who did not have the choice during the initial period. The Division of Retirement and Benefits has received legal tax counsel that this particular arrangement has received favorable rulings by the IRS for other plans.

Consequence: Without amendment, the State may not receive a favorable plan ruling.

Related bill sections: Sec. 27, AS 14.25.540(i); Sec. 66, AS 39.35.940(h).

**Sec. 68 AS 39.35.940(j).** Adds a definition of "membership service" for purposes of clarifying what service credit is eligible for transfer from the DB plan to the DCR plan and disallows years of service for which contributions have not been fully repaid; i.e., reinstatement of refunded contributions, or indebtedness.

Reason: If a DB plan member has an outstanding indebtedness for refunded contributions, the years of service associated with that indebtedness are not credited back to the member until the indebtedness, including interest, has been fully paid. Also, there is no definition of "membership service" under the PERS DB statutes. This change clarifies the definition for the conversion option so there is no ambiguity as to: (1) the dollar amount of the member's contributions to be transferred and matched by the employer; and (2) the number of years of service to be counted toward vesting in benefits of the DCR plan.

Consequence: Without amendment, it is unclear whether full service, partial service, or no service credit associated with an indebtedness should be transferred to the new plan. To allow such service to be transferred would be inconsistent with the current statutory provisions of the DB plan (AS 39.35.350).

Related bill sections: Sec. 28, AS 14.25.540(j).

**Sec. 69** AS 39.35.957. Adds a provision for employers to designate classes or groups of employees eligible to participate in (or to be excluded from) the DCR plan. Clarifies that a member of the DB plan will become a member of the DCR plan if employed by an employer that participates only in the DCR plan.

AS 39.35.958. Adds the process by which an employer may terminate participation from the DCR plan and outlines the rights of employees and the costs to the employer upon termination.

Reason: The PERS DB plans have specific statutory guidelines on the process for amending and terminating participation in the PERS. Although a provision for participation was added to the DCR plan, amendment and termination were not.

Consequence: If these amendments are not enacted, there will be no statutory guidelines for amendment and termination of participation in the DCR plan. The Division of Retirement and Benefits will have no basis for making decisions regarding members' rights to medical benefits, including the HRA, if an employer terminates from participation.

**Sec. 70** AS 39.35.990(16). Clarifies that "member" and "employee" have the same meaning throughout the PERS DCR statutes and excludes instructors at the Department of Labor and Workforce Development (DLW&D) and the Department of Education and Early Development (DEED) in positions requiring a teacher certificate.

Reason: "Member" and "employee" are both used inconsistently throughout the PERS statutes. This change clarifies they are intended to be used interchangeably. Also, the DLWD is changing their position requirements for some of its vocational education positions to *not* require a teacher certificate.

Consequence: Without amendment, instructors at the DLW&D and DEED may be precluded from being members of PERS if they work in a position that does not require a teacher certificate.

**Sec. 71** AS 39.35.990(20). Provides a clear definition of peace officer and fire under the DCR plan.

Reason: This is a technical change to clarify the job classes eligible for classification as a peace officer or fire fighter.

Consequence: Without amendment, this definition references back to the definition under AS 39.35.680(29) which contains the same job classes.

**Sec. 72 AS 39.45.055.** Adds a provision under the Deferred Compensation program for a member to appeal a decision of the administrator to the Office of Administrative Hearings.

Reason: This was an inadvertent omission in transferring all appeals functions to the OAH.

Consequence: Without amendment, appeals will have to be sent to the superior court.

Related bill sections: Sec. 31, AS 39.30.165, Sec. 32, AS 39.30.335; Sec. 73, AS 44.64.030(a).

**Sec. 73 AS 44.64.030(a).** Adds the Supplemental Benefit-Annuity Plan, Health Reimbursement Arrangement Plan, Deferred Compensation Plan, and waivers of adjustment under the PERS and TRS defined benefit plans to the jurisdiction of the Office of Administrative Hearings.

Reason: This is a required change for statutory authority of the appeals delegated under the above programs.

Related bill sections: Sec. 31, AS 39.30.165; Sec. 32, AS 39.30.335; Sec. 41, AS 39.35.522(a), Sec. 72, AS 39.45.055.

**Sec. 74 Sec. 134, ch. 9, FSSLA 2005.** Clarifies that the initial FY 2007 employer contribution rates specified in this section for occupational disability and occupational death benefits will be applied only to the payroll base of the members in the DCR plan.

Reason: Technical change to remove any ambiguity in the application of the employer contribution rates.

**Sec. 75 AS 14.25.045 and 14.25.570.** Repeals participation of National Education Association (NEA) employees in the TRS.

Reason: Although NEA had been included by the legislature in the TRS DB plan in statute, NEA is a non-profit organization and they do not qualify for inclusion in the system. This error was acknowledged by the Division of Retirement and Benefits, the Department of Law, and the NEA in the early 1990's/late 1980's. In discussion with participating NEA management it was decided by the TRS Board that members participating at the time would be grandfathered and inclusion of new members would be discontinued (since then the last member has retired). Inclusion in the new plan resulted from duplication of existing statutes.

**AS 39.35.050(a).** Repeals duplicative AS 39.35.050(a) which provides for the Commissioner of Administration to appoint an administrator.

Reason: Technical change. This statute was replaced by AS 39.35.003 in SB 141.

**Sec. 76** AS 14.25.070(b) and AS 39.35.270(b). Repeals the requirement enacted in SB 141 that the employer contribution rate must not be less than the normal cost rate retroactive to July 1, 2005.

Reason: These provisions added by SB 141, and effective July 1, 2005, require that an employer's contribution rate may not be less than the normal cost rate. Under the current version of HB 475, the repeal is effective July 1, 2006 (FY 2007). Sec. 79 makes the repeal of these provisions effective for FY 2006.

Related bill sections: Sec. 3, AS 14.25.070(f); Sec. 38, AS 39.35.270(d); Sec. 79; Sec. 80.

**Sec. 77** AS 39.35.375(f). This subsection relates to reinstating service associated with refunded contributions for obtaining a public service benefit.

Reason: With the change to the public service benefit under AS 39.35.375(a) – see Sec. 39 - this subsection will have no applicable meaning beginning July 1, 2010.

**Sec. 78** **Uncodified law.** Establishes an initial contribution rate for TRS employers to fund occupational disability and death benefits during the first fiscal year of the DCR plan (FY 2007).

Reason: The first valuation year in which employees will be enrolled in the DCR plan begins July 1, 2006. The ARMB will consider the contribution rate for this cost during the 2007 valuation, ending date June 30, 2006.

Consequence: If this section, in combination with Sec. 8 of this bill, is not enacted, there will be no funding source from which to pay TRS occupational disability and death benefits. If Sec. 8 is enacted but not this section, implementation of a cost rate for this benefit, and contributions to the plan, may be delayed until the ARMB can request a calculation by the actuary and approve a contribution rate.

Related bill sections: Sec. 8, AS 14.25.350(e).

**Sec. 79** Retroactivity clause for section 76. July 1, 2005.

**Sec. 80** Effective date for sections 3 and 38. July 1, 2008.

**Sec. 81** Effective date for sections 4, 39, and 40. July 1, 2010.

**Sec. 82** Immediate effective date for sections 76 and 79. AS 01.10.070(c).

**Sec. 83** Effective date remainder of bill. July 1, 2006.

24-LS1685L

Wayne  
4/10/06

replaced 4/12 By 15

CS FOR HOUSE BILL NO. 475( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - SECOND SESSION

BY

Offered:

Referred:

Sponsor(s): REPRESENTATIVE SEATON

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the supplemental employee benefit program; relating to teachers'  
 2 and public employees' defined benefit retirement plans; relating to teachers' and public  
 3 employees' defined contribution retirement plans; relating to the health reimbursement  
 4 arrangement plan for certain teachers and public employees; clarifying eligibility for  
 5 membership in the health reimbursement arrangement plan; relating to waiver of  
 6 adjustments under the teachers' defined benefit retirement plan and the public  
 7 employees' defined benefit retirement plan; relating to the administrator of the Public  
 8 Employees' Retirement System of Alaska; relating to employer contributions for  
 9 occupational disability and death benefits; repealing participation in the teachers'  
 10 defined contribution and defined benefit retirement plans by certain employees of the  
 11 National Education Association of Alaska; relating to requirements for employer  
 12 minimum contributions to the teachers' and the public employees' defined benefit

1 retirement systems; relating to the public employees' defined benefit deferred  
2 compensation program; and providing for an effective date."

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

4 \* Section 1. AS 14.25.070(a) is amended to read:

5 (a) An employer shall make contributions to the plan in accordance with this  
6 section and as certified by the board in an amount sufficient, after subtracting  
7 member contributions, to provide the benefits of AS 14.25.009 - 14.25.220. The  
8 amount shall be calculated by applying the employer normal cost rate to the sum  
9 total of the base salaries paid to members in the plan and by applying the past  
10 service rate to the sum total of the base salaries paid to members in the system  
11 [AN EMPLOYER CONTRIBUTION RATE, CERTIFIED BY THE BOARD,  
12 AGAINST THE SUM TOTAL OF THE BASE SALARIES PAID TO MEMBERS],  
13 including any adjustments to contributions required by AS 14.25.173(a). The  
14 employer shall remit this amount to the administrator in accordance with  
15 AS 14.25.065.

16 \* Sec. 2. AS 14.25.070 is amended by adding new subsections to read:

17 (d) In (a) of this section, "employer normal cost rate" means the percentage of  
18 compensation of all active members in the plan that, when combined with the member  
19 contribution rate of active members in the plan, is sufficient to provide the benefits  
20 that are expected to be credited with respect to service during the year beginning after  
21 the last valuation date. This percentage is uniformly determined for all employers and  
22 is applicable to each employer.

23 (e) In (a) of this section, "past service rate" means the percentage of  
24 compensation of all active members in the system necessary to provide the annual  
25 amount required to amortize the unfunded obligations of the employers for benefits  
26 earned by members in the plan before the date of the last actuarial valuation over a  
27 period not to exceed the maximum period allowed by generally accepted accounting  
28 principles of the Governmental Accounting Standards Board. This percentage is  
29 uniformly determined for all employers and is applicable to each employer.

30 \* Sec. 3. AS 14.25.070 is amended by adding a new subsection to read:

1 (f) The employer contribution rate may not be less than the rate required, after  
2 subtracting the member contribution rate, to fully fund the actuarially calculated  
3 benefits expected to be earned by active members during the fiscal year.

4 \* Sec. 4. AS 14.25.125(c) is amended to read:

5 (c) Membership service for which contributions were refunded is not  
6 creditable under this section [UNLESS THE REFUNDED CONTRIBUTIONS HAVE  
7 BEEN REPAID. FOR PURPOSES OF THIS SECTION, A MEMBER OR FORMER  
8 MEMBER DOES NOT HAVE TO BE REEMPLOYED UNDER THIS PLAN IN  
9 ORDER TO REPAY REFUNDED CONTRIBUTIONS. COMPOUND INTEREST  
10 AT THE RATE PRESCRIBED BY REGULATION MUST BE ADDED TO THE  
11 REINSTATEMENT INDEBTEDNESS FROM THE DATE OF THE REFUND TO  
12 THE DATE OF REPAYMENT].

13 \* Sec. 5. AS 14.25.320(b), as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

14 (b) The defined contribution retirement plan includes a plan in which savings  
15 are accumulated in an individual account for the exclusive benefit of the member or  
16 beneficiaries, and certain fixed occupational death and disability benefits are  
17 paid. The plan is established effective July 1, 2006, at which time contributions by  
18 employers and members begin.

19 \* Sec. 6. AS 14.25.320(c), as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

20 (c) The defined contribution retirement plan is intended to qualify under 26  
21 U.S.C. 401(a), [AND] 414(d), and 414(k) (Internal Revenue Code) as a qualified  
22 retirement plan established and maintained by the state for its employees and for the  
23 employees of school districts and regional educational attendance areas in the state.

24 \* Sec. 7. AS 14.25.340(e), as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

25 (e) The employer shall deduct the contribution from the member's  
26 compensation at the end of each payroll period, and the contribution shall be credited  
27 by the administrator to the member's individual account. To the extent permitted by  
28 federal law, the [THE] contributions shall be deducted from the member's  
29 compensation before the computation of applicable federal taxes and shall be treated  
30 as employer contributions under 26 U.S.C. 414(a)(2). A member may not have the  
31 option of making the payroll deduction directly in cash instead of having the

1 contribution picked up by the employer.

2 \* **Sec. 8.** AS 14.25.350, as enacted by sec. 35, ch. 9, FSSLA 2005, is amended by adding a  
3 new subsection to read:

4 (e) An employer shall make annual contributions to a trust account in the plan,  
5 applied as a percentage of each member's compensation from July 1 to the following  
6 June 30, in an amount determined by the board to be actuarially required to fully fund  
7 the cost of providing occupational disability and occupational death benefits under  
8 AS 14.25.485 and 14.25.487.

9 \* **Sec. 9.** AS 14.25.380, as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

10 **Sec. 14.25.380. Limitations on contributions and benefits.** Notwithstanding  
11 any other provisions of this plan, the annual additions to each member's individual  
12 account under this plan and under all defined contribution plans of the employer  
13 required to be aggregated with the contributions from this plan under the provisions of  
14 26 U.S.C. 415 may not exceed, for any limitation year, the amount permitted under 26  
15 U.S.C. 415(c) at any time. If the amount of a member's individual account  
16 [DEFINED CONTRIBUTION PLAN] contributions exceeds the limitation of 26  
17 U.S.C. 415(c) for any limitation year, the administrator shall take any necessary  
18 remedial action to correct an excess contribution. A fixed benefit provided under  
19 this plan may not exceed, for or during a limitation year, the amount permitted  
20 under 26 U.S.C. 415(b). If a fixed benefit provided under this plan exceeds, for or  
21 during a limitation year, the amount permitted under 26 U.S.C. 415(b), the  
22 administrator shall take remedial action necessary to comply with the limits on  
23 the benefit amount in 26 U.S.C. 415(b). The provisions of 26 U.S.C. 415, and the  
24 regulations adopted under that statute, as applied to qualified [DEFINED  
25 CONTRIBUTION] plans of governmental employees are incorporated as part of the  
26 terms and conditions of the plan.

27 \* **Sec. 10.** AS 14.25.400(b), as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

28 (b) A participant may direct investment of plan funds held in an individual  
29 account among available investment funds in accordance with rules established by the  
30 board.

31 \* **Sec. 11.** AS 14.25.470(g), as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

1 (g) An eligible person shall make the irrevocable election to participate or not  
2 participate in the retiree major medical insurance plan by reaching 70 1/2 years of age,  
3 or upon application for retirement and medical benefits, whichever is later. The  
4 administrator may require an eligible person who deferred participation in the  
5 retiree major medical insurance plan at the time the person applied for  
6 retirement to show evidence of insurability or provide a letter of coverage when  
7 the person later applies to participate in the retiree major medical insurance  
8 plan. If the person does not establish insurability or provide a letter of coverage,  
9 the administrator may deny participation by the person in the retiree major  
10 medical insurance plan.

11 \* Sec. 12. AS 14.25.485(b), as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

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

18 (1) dies;

19 (2) recovers from the disability;

20 (3) fails to meet the requirements under (f), (h), or (j) [(h)] of this  
21 section; or

22 (4) reaches normal retirement age.

23 \* Sec. 13. AS 14.25.485(c), as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

24 (c) If the disabled member becomes ineligible to receive occupational  
25 disability benefits before the normal retirement date, the disabled member shall then  
26 be entitled to receive retirement benefits if the member would have been eligible for  
27 the benefit had employment continued during the period of disability. The period of  
28 disability constitutes membership service for the purposes of [IN REGARD TO]  
29 determining eligibility for retirement and medical benefits under this chapter and  
30 AS 39.30.300 - 39.30.495.

31 \* Sec. 14. AS 14.25.485(d), as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

1 (d) The monthly amount of an occupational disability benefit is 40 percent of  
2 the disabled member's gross monthly compensation at the time of termination due to  
3 disability. Notwithstanding AS 14.25.390(b), at the time a member is appointed to  
4 disability, the member becomes fully vested in the employer contributions made  
5 under AS 14.25.350(a). A disabled member is fully vested in the contributions to  
6 the member's individual account made under this subsection. A member is not  
7 entitled to elect distributions from the member's individual contribution account  
8 under AS 14.25.410 while the member is receiving disability benefits under this  
9 section. While a member is receiving disability benefits, based on the disabled  
10 member's gross monthly compensation at the time of termination due to disability, the  
11 employer shall make contributions to the

12 (1) member's individual account under AS 14.25.340 on behalf of the  
13 member, without deduction from the member's disability payments; and

14 (2) appropriate accounts and funds on behalf of the member under  
15 AS 14.25.350.

16 \* Sec. 15. AS 14.25.485(g), as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

17 (g) A disabled member's occupational disability benefit terminates the last  
18 day of the month following the date [WHEN] the disabled member first qualifies  
19 [ATTAINS ELIGIBILITY] for normal retirement. At that time, the member's  
20 retirement benefit shall be determined under the provisions of AS 14.25.420 -  
21 14.25.440, 14.25.470, and 14.25.480. A member whose occupational disability  
22 benefit terminates under this subsection [RECEIVING DISABILITY BENEFITS  
23 UP UNTIL ELIGIBILITY FOR RETIREMENT] shall be considered to have retired  
24 directly from the plan.

25 \* Sec. 16. AS 14.25.485(i), as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

26 (i) Upon the death of a disabled member who is receiving or is entitled to  
27 receive an occupational disability benefit, the administrator shall pay the surviving  
28 spouse a surviving spouse's pension, equal to 40 percent of the member's monthly  
29 compensation at the termination of employment because of occupational disability. If  
30 there is no surviving spouse, the administrator shall pay the survivor's pension in equal  
31 parts to the dependent children of the member. While the monthly survivor's

1 pension is being paid, the survivor is not entitled to elect distributions from the  
2 employee's individual contribution account under AS 14.25.410. The first payment  
3 of the surviving spouse's pension or of a dependent child's pension shall accrue from  
4 the first day of the month following the member's death and is payable the last day of  
5 the month. The last payment shall be made the last day of [FOR] the last month in  
6 which there is an eligible surviving spouse or dependent child, or the last day of the  
7 month following the earliest date the member would have first qualified for  
8 normal retirement if the member had survived, whichever day comes sooner. A  
9 retirement benefit shall be determined under the provisions of AS 14.25.420 -  
10 14.25.440, 14.25.470, and 14.25.480 based on [. ON] the date the member would  
11 have first qualified for normal retirement [OF THE MEMBER WOULD HAVE  
12 OCCURRED] if the member had survived. In addition to the payment of the  
13 member's individual account, the surviving spouse or, if there is no surviving  
14 spouse, the surviving dependent children of the member, shall receive an  
15 additional benefit equal to the actuarial value of an amount equal to the  
16 contributions that would have been made to the deceased member's individual  
17 account under AS 14.25.340(a) and 14.25.350(a), based on the deceased member's  
18 gross monthly compensation at the time of occupational disability, from the time  
19 of the member's death to the date the member would have first qualified for  
20 normal retirement if the member had survived. Earnings shall be allocated to the  
21 additional benefit calculated under this subsection based on the actual rate of  
22 return, net of expenses, of the trust account established under AS 14.25.350(e)  
23 over the period that the contributions would have been made. This additional  
24 amount shall be paid in the same manner as determined for the member's  
25 individual account under AS 14.25.420 - 14.25.460. For the purpose of  
26 determining eligibility of a survivor who is receiving a benefit under this  
27 subsection for medical benefits under AS 14.25.470 - 14.25.480, a [LIVED, THE  
28 RETIREMENT BENEFIT SHALL BE DETERMINED UNDER THE PROVISIONS  
29 OF AS 14.25.420 - 14.25.440, 14.25.470, AND 14.25.480. A] member who died  
30 while receiving disability benefits shall be considered to have retired directly from the  
31 plan on the date the member would have first qualified for normal retirement [OF

1 THE MEMBER WOULD HAVE OCCURRED] if the member had survived. The  
 2 period during which the member was eligible for a disability benefit and the  
 3 period during which a survivor's pension is paid to a survivor under this  
 4 subsection each constitute membership service for the purposes of determining  
 5 vesting in employer contributions under AS 14.25.390(b) and eligibility for  
 6 retirement and medical benefits under this chapter and AS 39.30.300 - 39.30.495  
 7 [LIVED].

8 \* Sec. 17. AS 14.25.485(j), as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

9 (j) In this section, "occupational disability" means a physical or mental  
 10 condition that the administrator determines presumably permanently prevents  
 11 an employee from satisfactorily performing the employee's usual duties for an  
 12 employer or the duties of another comparable position or job available to the  
 13 employee and for which the employee is qualified by training or education;  
 14 however, the proximate cause of the condition must be a bodily injury sustained,  
 15 or a hazard undergone, while in the performance and within the scope of the  
 16 employee's duties and not the proximate result of the wilful negligence of the  
 17 employee [HAS THE MEANING GIVEN IN AS 39.35.680].

18 \* Sec. 18. AS 14.25 is amended by adding a new section to read:

19 **Sec. 14.25.486. Disability benefit adjustment.** (a) Once each year, the  
 20 administrator shall increase disability benefits. The amount of the increase is a  
 21 percentage of the current disability benefit equal to the lesser of 75 percent of the  
 22 increase in the cost of living in the preceding calendar year or nine percent.

23 (b) If a disabled member was not receiving a benefit during the entire  
 24 preceding calendar year, the increase in the benefit under this section shall be adjusted  
 25 by multiplying it by a fraction, the numerator of which is the number of months for  
 26 which the benefit was received in the preceding calendar year and the denominator of  
 27 which is 12.

28 (c) An increase in benefit payments under this section is effective July 1 of  
 29 each year and is based on the percentage increase in the Consumer Price Index for  
 30 urban wage earners and clerical workers for Anchorage, Alaska, during the previous  
 31 calendar year, as determined by the United States Department of Labor, Bureau of

1 Labor Statistics.

2 (d) Benefit adjustments under this section shall terminate the last day of the  
3 month following the date on which a disabled member is no longer receiving a  
4 disability benefit under AS 14.25.485.

5 \* Sec. 19. AS 14.25.487(b), as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

6 (b) The first payment of the surviving spouse's pension or of a dependent  
7 child's pension shall be made for the month following the month in which the member  
8 dies. Payments [ AND PAYMENT] shall cease on the last day of the month in  
9 which there is no longer an eligible spouse or eligible dependent child, or the last  
10 day of the month following the earliest date [TO BE MADE BEGINNING WITH  
11 THE MONTH IN WHICH] the member would have first qualified for normal  
12 retirement if the member had survived, whichever day is sooner.

13 \* Sec. 20. AS 14.25.487(c), as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

14 (c) The monthly survivor's pension in (b) of this section for survivors of  
15 members is 40 percent of the member's monthly compensation i., the month in which  
16 the member dies. While the monthly survivor's pension is being paid, the survivor  
17 is not entitled to elect distributions from the member's individual contribution  
18 account under AS 14.25.410, except as required by AS 14.25.440. While the  
19 monthly survivor's pension is being paid, the employer shall make contributions on  
20 behalf of the member's surviving spouse and member's surviving dependent  
21 children [BENEFICIARIES] based on the deceased member's gross monthly  
22 compensation at the time of occupational death

23 [(1) TO THE MEMBER'S INDIVIDUAL ACCOUNT UNDER  
24 AS 14.25.340, WITHOUT DEDUCTION FROM THE SURVIVOR'S PENSION;  
25 AND

26 (2)] to the appropriate accounts and funds [ON BEHALF OF THE  
27 MEMBER] under AS 14.25.350**(b) - (e)**.

28 \* Sec. 21. AS 14.25.487(e), as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

29 (e) On the date the member would have first qualified for normal retirement  
30 [OF THE MEMBER WOULD HAVE OCCURRED] if the member had survived  
31 [LIVED], the retirement benefit shall be determined under the provisions of

1 AS 14.25.420 - 14.25.440, 14.25.470, and 14.25.480. In addition to payment of  
2 benefits from the member's individual account, from the time of the member's  
3 death, the date the member would have first qualified for normal retirement if  
4 the member had survived, the surviving spouse or, if there is no surviving spouse,  
5 the surviving dependent children of the member, shall receive an additional  
6 benefit equal to the actuarial value of an amount equal to the contributions that  
7 would have been made to the deceased member's individual account under  
8 AS 14.25.340(a) and 14.25.350(a), based on the deceased member's gross monthly  
9 compensation at the time of the member's occupational death. Earnings shall be  
10 allocated to the additional benefit calculated under this subsection based on the  
11 actual rate of return, net of expenses, of the trust account established under  
12 AS 14.25.350(e) over the period that the contributions would have been made.  
13 This additional amount shall be paid in the same manner as determined for the  
14 member's individual account under AS 14.25.420 - 14.25.460. A member who died  
15 and whose survivors receive occupational death benefits under this section shall be  
16 considered to have retired directly from the plan on the date the [NORMAL  
17 RETIREMENT OF THE] member would have first qualified for normal retirement  
18 [OCCURRED] if the member had survived. The period of time during which a  
19 survivor's pension is paid under this section constitutes membership service for  
20 the purposes of determining vesting in employer contributions under  
21 AS 14.25.390(b) and eligibility for retirement and medical benefits under this  
22 chapter and AS 39.30.300 - 39.30.495 [LIVED].

23 \* Sec. 22. AS 14.25 is amended by adding new sections to read:

24 Sec. 14.25.488. **Survivor's pension adjustment.** (a) Once each year, the  
25 administrator shall increase payments to a person 60 years of age or older receiving a  
26 survivor's pension under AS 14.25.485(i) or 14.25.487(c) and to a person who has  
27 received a survivor's pension under AS 14.25.485(i) or 14.25.487(c) for at least eight  
28 years, who is not otherwise eligible for an increase under this section.

29 (b) The amount of the increase is a percentage of the current survivor's  
30 pension equal to the lesser of 50 percent of the increase in the cost of living in the  
31 preceding calendar year or six percent.

1 (c) If a survivor was not receiving a pension during the entire preceding  
2 calendar year, the increase in the survivor's pension under this section shall be  
3 adjusted by multiplying it by a fraction, the numerator of which is the number of  
4 months for which the pension was received in the preceding calendar year and the  
5 denominator of which is 12.

6 (d) The administrator shall increase the initial survivor's pension paid to a  
7 survivor of a member who died while receiving disability benefits by a percentage  
8 equal to the total cumulative percentage that has been applied to the member's  
9 disability benefit under AS 14.25.486.

10 (e) An increase in benefit payments under this section is effective July 1 of  
11 each year and is based on the percentage increase in the Consumer Price Index for  
12 urban wage earners and clerical workers for Anchorage, Alaska, during the previous  
13 calendar year, as determined by the United States Department of Labor, Bureau of  
14 Labor Statistics.

15 (f) Pension adjustments under this section shall terminate the last day of the  
16 month following the date on which a survivor is no longer receiving a survivor's  
17 pension under AS 14.25.485(i) or 14.25.487(c).

18 **Sec. 14.25.489. Premiums for retiree major medical insurance coverage**  
19 **upon termination of disability benefits or survivor's pension.** The premium for  
20 retiree major medical insurance coverage payable by a member whose disability  
21 benefit is terminated under AS 14.25.485(g) or by an eligible survivor whose survivor  
22 pension is terminated under AS 14.25.485(i) or 14.25.487(c) when the member would  
23 have been eligible for normal retirement if the member had survived shall be  
24 determined under AS 14.25.480(g)(2) as if the member or survivor were eligible for  
25 Medicare.

26 \* **Sec. 23.** AS 14.25.510, as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

27 **Sec. 14.25.510. Nonguarantee of returns, rates, or benefit amounts.** The  
28 plan created by AS 14.25.510 - 14.25.590 is, with respect to individual accounts,  
29 treated as a defined contribution plan and [PLAN.] not a defined benefit plan. The  
30 amount of money in the individual account of a participant depends on the amount of  
31 contributions and the rate of return from investments of the account that varies over

1 time. If benefits are paid in the form of an annuity, the benefit amount payable is  
2 dependent on the amount of money in the account and the interest rates applied and  
3 service fees charged by the annuity payor at the time the annuity is purchased from  
4 the carrier and benefits are first paid. Nothing in this plan guarantees a participant

5 (1) a rate of return or interest rate other than that actually earned by the  
6 account of the participant, less applicable administrative expenses; or

7 (2) an annuity based on interest rates or service charges other than  
8 interest rates available from and service charges by the annuity payor in effect at the  
9 time the annuity is paid.

10 \* Sec. 24. AS 14.25.540(c), as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

11 (c) Each eligible member who elects to participate in the defined contribution  
12 retirement plan shall have transferred to a new account the member contribution  
13 account balance held in trust for the member under the defined benefit retirement plan  
14 of the teachers' retirement system. A matching employer contribution shall be made on  
15 behalf of that employee to the new account. The employer shall make the matching  
16 contribution from funds other than the trust funds of the defined benefit retirement  
17 plan. The amount of the matching employer contribution shall be subject to, and  
18 may not exceed, the limitation of 26 U.S.C. 415(c) during the applicable limitation  
19 year in which the contribution is made.

20 \* Sec. 25. AS 14.25.540(d), as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

21 (d) Upon a transfer, all membership service previously earned under the  
22 defined benefit retirement plan shall be nullified for purposes of entitlement to a future  
23 benefit under the defined benefit retirement plan but shall be credited for purposes of  
24 determining vesting in employer contributions under AS 14.25.390(b) and  
25 eligibility to elect medical benefits under AS 14.25.470. Membership service allowed  
26 for credit toward medical benefits does not include any service credit purchased under  
27 AS 14.25.075 for employment by an employer who is not a participating employer in  
28 this chapter.

29 \* Sec. 26. AS 14.25.540(h), as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

30 (h) A member who is eligible to elect transfer to the defined contribution  
31 plan must make the election not later than 12 months after the member's

1        employer notifies the administrator that the member's employer consents to  
2        transfers of its members under (i) of this section. The election to participate in the  
3        defined contribution retirement plan must be made in writing on forms and in the  
4        manner prescribed by the administrator. Before accepting an election to participate in  
5        the defined contribution retirement plan, the administrator must provide the employee  
6        planning on making an election to participate in the defined contribution retirement  
7        plan with information, including calculations to illustrate the effect of moving the  
8        employee's retirement plan from the defined benefit retirement plan to the defined  
9        contribution retirement plan as well as other information to clearly inform the  
10       employee of the potential consequences of the employee's election. An election made  
11       under this subsection to participate in the defined contribution retirement plan is  
12       irrevocable. Upon making the election, the participant shall be enrolled as a member  
13       of the defined contribution retirement plan, the member's participation in the plan shall  
14       be governed by the provisions of AS 14.25.310 - 14.25.590, and the member's  
15       participation in the defined benefit retirement plan under AS 14.25.009 - 14.25.220  
16       shall terminate. The participant's enrollment in the defined contribution retirement  
17       plan shall be effective the first day of the month after the administrator receives the  
18       completed enrollment forms. An election made by an eligible member who is married  
19       is not effective unless the election is signed by the individual's spouse.

20       \* **Sec. 27.** AS 14.25.540(i), as enacted by sec. 35, ch. 9, FSSLA 2005, is amended to read:

21                (i) A member may make an election under this section only if the member's  
22                employer participates in both the defined benefit retirement plan and the defined  
23                contribution retirement plan and consents to transfers under this section. The employer  
24                shall notify the administrator if the employer consents to allowing the employer's  
25                members to choose to transfer from the defined benefit retirement plan to the defined  
26                contribution retirement plan under this section. The initial period during which the  
27                employer's members may choose to transfer commences on the first day of the  
28                month following the administrator's receipt of notice under this subsection and  
29                continues for 12 months. An employer may consent to extend the initial period to  
30                a second period of 12 months during which the employer's members may choose  
31                to transfer from the defined benefit retirement plan to the defined contribution

1 retirement plan under this section. The second period commences on the first day  
2 of the month following the end of the initial period and continues for 12 months.

3 An employer's initial notice to allow transfers is irrevocable and applicable to all  
4 eligible employees of the employer. An employer's second notice to allow transfers  
5 under this section is irrevocable and applicable only to those eligible employees to  
6 whom the initial period of transfer was not available.

7 \* Sec. 28. AS 14.25.540(j), as enacted by sec. 35, ch. 9, FSSLA 2005, is amended by adding  
8 a new paragraph to read:

9 (3) "membership service" has the meaning given in AS 14.25.220 and  
10 does not include any service for which reinstatement indebtedness has not been fully  
11 paid.

12 \* Sec. 29. AS 39.30.160(a) is amended to read:

13 (a) The Department of Administration shall, in accordance with policies  
14 prescribed by regulations adopted by the commissioner [OF THE ALASKA  
15 RETIREMENT MANAGEMENT BOARD], provide to employees for whom special  
16 individual employee benefit accounts are established under AS 39.30.150(c) the  
17 following benefit options:

- 18 (1) supplemental health benefits;  
19 (2) supplemental death benefits;  
20 (3) supplemental disability benefits; and  
21 (4) supplemental dependent care benefits.

22 \* Sec. 30. AS 39.30.160(e) is amended to read:

23 (e) Regulations adopted by the commissioner [BOARD] implementing  
24 AS 39.30.150 and this section are not subject to AS 44.62 (Administrative Procedure  
25 Act).

26 \* Sec. 31. AS 39.30 is amended by adding a new section to read:

27 Sec. 39.30.165. Appeals. A final decision made under AS 39.30.150 -  
28 39.30.180 is subject to appeal under AS 44.64.

29 \* Sec. 32. AS 39.30 is amended by adding a new section to read:

30 Sec. 39.30.335. Appeals. A final decision made under AS 39.30.300 -  
31 39.30.495 is subject to appeal under AS 44.64.

1 \* **Sec. 33.** AS 39.30.370, as enacted by sec. 80, ch. 9, FSSLA 2005, is amended to read:

2       **Sec. 39.30.370. Contributions by employers.** For each member of the plan,  
3 an employer shall contribute to the teachers' and public employees' retiree health  
4 reimbursement arrangement plan trust fund an amount equal to three percent of the  
5 average annual compensation of all employees of employers in the plan  
6 [EMPLOYER'S AVERAGE ANNUAL EMPLOYEE COMPENSATION]. The  
7 administrator shall maintain a record for each member to account for employer  
8 contributions on behalf of that member. The board shall establish by regulation the  
9 rate of interest to be applied annually to the amount in a member's individual account.

10 \* **Sec. 34.** AS 39.30.380, as enacted by sec. 80, ch. 9, FSSLA 2005, is amended to read:

11       **Sec. 39.30.380. Termination of employment.** A person who terminates  
12 employment before meeting the eligibility requirements of AS 39.30.390  
13 [AS 14.25.470 OR AS 39.35.870] loses any right to the contributions made on behalf  
14 of the person to the teachers' and public employees' retiree health reimbursement  
15 arrangement trust fund. If a person returns to employment with a participating  
16 employer by December 31 of the year in which the person reaches 65 years of age, the  
17 person's account balance shall be restored in the amount recorded on the date of  
18 termination from the trust, adjusted for inflation at the rate of the Consumer Price  
19 Index for Anchorage, Alaska. The earlier period of employment with a participating  
20 employer shall be credited toward eligibility for medical benefits.

21 \* **Sec. 35.** AS 39.30.390, as enacted by sec. 80, ch. 9, FSSLA 2005, is amended to read:

22       **Sec. 39.30.390. Eligibility and reimbursement.** Persons who meet the  
23 eligibility requirements of AS 14.25.470 or [AND] AS 39.35.870 are eligible for  
24 reimbursements from the individual account established for a member under the plan,  
25 except members do not have to retire directly from the system. A person who is the  
26 dependent child of an eligible member is eligible for reimbursements if the eligible  
27 member and surviving spouse have both died so long as the person meets the  
28 definition of dependent child.

29 \* **Sec. 36.** AS 39.35.250 is amended to read:

30       **Sec. 39.35.250. Calculation of employer's contribution rate.** (a) An  
31 employer shall make contributions to the plan in amounts determined in accordance

1 with this section. For the purposes of this section and AS 39.35.270, the [PAST  
2 SERVICE DATE FOR EACH EMPLOYER IS THE ENTRY DATE OF THE  
3 EMPLOYER OR DECEMBER 31, 1972, WHICHEVER IS LATER. AFTER  
4 DECEMBER 31, 1972, IF AMENDMENTS TO AS 39.35.095 - 39.35.680 ARE  
5 ENACTED THAT SUBSTANTIALLY AFFECT BENEFITS ACCRUED BEFORE  
6 THE EFFECTIVE DATE OF THE AMENDMENT, THE PAST SERVICE DATE  
7 WILL BE CHANGED TO DECEMBER 31 OF THE YEAR IMMEDIATELY  
8 PRECEDING THAT IN WHICH THE AMENDMENT IS ENACTED. THE]  
9 contribution rate is the sum of the consolidated employer normal cost rate and the  
10 past service rate as certified by the board.

11 (b) In (a) of this section, "consolidated employer normal cost rate" means the  
12 percentage of compensation of all active employees in the plan which, [IF PAID  
13 OVER THE PERIOD OF THEIR CREDITED SERVICE AFTER THEIR PAST  
14 SERVICE DATE AND] when combined with all employee contributions to the plan,  
15 is sufficient to provide the benefits earned during the year beginning after the last  
16 valuation date [AFTER SUCH PAST SERVICE DATES]. This percentage is  
17 [UNIFORMLY] determined at the plan level for all employers and is applicable to  
18 each employer.

19 (c) In (a) of this section, "past service rate" means the percentage of  
20 compensation of all active employees in the system [PLAN] necessary to provide the  
21 annual amount required to amortize the unfunded obligations of the employer for  
22 benefits earned by the employer's members in the plan before the date of the last  
23 actuarial valuation [EMPLOYER'S PAST SERVICE DATE] over a period not to  
24 exceed the maximum allowed by generally accepted accounting principles of the  
25 Governmental Accounting Standards Board [40 YEARS. THE PERIOD OF  
26 AMORTIZATION BEGINS AT THE PAST SERVICE DATE OF EACH  
27 EMPLOYER]. The percentage is separately determined for each employer.

28 \* Sec. 37, AS 39.35.270(a) is amended to read:

29 (a) The amount of each employer's contributions shall be determined by  
30 applying the consolidated employer normal cost [EMPLOYER'S  
31 CONTRIBUTION] rate [AS CERTIFIED BY THE BOARD.] to the total

1 compensation paid to the employer's active employees of the plan and by applying  
2 the employer's past service rate to the total compensation paid to the employer's  
3 active employees in the system [EMPLOYER] for each payroll period, [AND BY]  
4 including any adjustments to contributions required by AS 39.35.520(a). This amount  
5 shall be remitted by the employer to the administrator in accordance with  
6 AS 39.35.610.

7 \* **Sec. 38.** AS 39.35.270 is amended by adding a new subsection to read:

8 (d) The employer contribution rate may not be less than the rate required, after  
9 subtracting the member contribution rate, to fully fund the actuarially calculated  
10 benefits expected to be earned by active members during a fiscal year.

11 \* **Sec. 39.** AS 39.35.375(a) is amended to read:

12 (a) An active or inactive member who has never been vested in this plan or in  
13 the teachers' retirement plan under AS 14.25.009 -14.25.220, who has at least two  
14 years of credited service in this plan, and who has membership service in the teachers'  
15 retirement system may claim credited service in this plan in an amount equal to the  
16 membership service the member has in the teachers' retirement system. The claimed  
17 credited service may be added to service earned under AS 39.35.095 - 39.35.680 to  
18 enable the member to qualify for a public service benefit under this section. The  
19 member may not claim credited service for membership service for which the member  
20 has received a refund under AS 14.25.150 [UNLESS THE MEMBER FULLY PAYS  
21 THE INDEBTEDNESS AS ESTABLISHED UNDER AS 14.25.063]. The member  
22 may not claim credited service in this plan based on unused sick leave under  
23 AS 14.25.115.

24 \* **Sec. 40.** AS 39.35.385(e) is amended to read:

25 (e) Credited service for which contributions were refunded is not creditable  
26 under this section [UNLESS THE REFUNDED CONTRIBUTIONS HAVE BEEN  
27 REPAYED, FOR PURPOSES OF (a) AND (b) OF THIS SECTION, A MEMBER OR  
28 FORMER MEMBER DOES NOT HAVE TO BE REEMPLOYED UNDER THIS  
29 PLAN IN ORDER TO PAY REFUNDED CONTRIBUTIONS. COMPOUND  
30 INTEREST AT THE RATE PRESCRIBED BY REGULATION SHALL BE ADDED  
31 TO THE REINSTATEMENT INDEBTEDNESS FROM THE DATE OF THE

1 REFUND TO THE DATE OF REPAYMENT].

2 \* Sec. 41. AS 39.35.522(d) is amended to read:

3 (d) A ruling of the [THE] commissioner of administration denying a waiver  
4 under this section may be appealed under AS 44.64. The administrative law  
5 judge may reverse the ruling of the commissioner and may impose equitable  
6 conditions on the granting of a waiver [WHICH IT CONSIDERS EQUITABLE].  
7 These conditions may include requiring the member or beneficiary to make additional  
8 contributions to the plan.

9 \* Sec. 42. AS 39.35.680(3) is amended to read:

10 (3) "administrator" means [THE PERSON APPOINTED BY] the  
11 commissioner of administration or the commissioner's designee appointed under  
12 AS 39.35.003 [AS 39.35.050];

13 \* Sec. 43. AS 39.35.710(b), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

14 (b) The defined contribution retirement plan includes [IS] a plan in which  
15 savings are accumulated in an individual retirement account for the exclusive benefit  
16 of the member or beneficiaries, certain fixed occupational death and disability  
17 benefit\* are paid, and certain fixed retirement and survivor benefits for peace  
18 officers and fire fighters are paid. The plan is established effective July 1, 2006, at  
19 which time contributions by employers and members begin.

20 \* Sec. 44. AS 39.35.710(e), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

21 (e) The retirement plan established by AS 39.35.700 - 39.35.990 is intended to  
22 qualify under 26 U.S.C. 401(a), [AND] 414(d), and 414(k) (Internal Revenue Code)  
23 as a qualified retirement plan established and maintained by the state for its  
24 employees, for the employees of political subdivisions, public corporations, and public  
25 organizations of the state, and for the employees of other employers whose  
26 participation is authorized by AS 39.35.700 - 39.35.990 and who participate in the  
27 plan set out in AS 39.35.700 - 39.35.990.

28 \* Sec. 45. AS 39.35.730(c), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

29 (c) The employer shall deduct the contribution from the member's  
30 compensation at the end of each payroll period, and the contribution shall be credited  
31 by the plan to the member's individual account, To the extent permitted by federal

1 law, the [THE] contributions shall be deducted from the member's compensation  
2 before the computation of applicable federal taxes and shall be treated as employer  
3 contributions under 26 U.S.C. 414(h)(2). A member may not have the option of  
4 making the payroll deduction directly in cash instead of having the contribution picked  
5 up by the employer.

6 \* **Sec. 46.** AS 39.35.750(e), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

7 (e) An employer shall make annual contributions to a trust account in the  
8 plan, applied as a percentage of each member's compensation from July 1 to the  
9 following June 30, in an amount determined by the board to be actuarially required to  
10 fully fund the cost of providing occupational disability and occupational death benefits  
11 under AS 39.35.890 and 39.35.892 and retirement benefits elected by disabled  
12 peace officers and fire fighters under AS 39.35.890(1)(2). The contribution required  
13 under this subsection for peace officers and fire fighters and the contribution required  
14 under this subsection for other employees shall be separately calculated based on the  
15 actuarially calculated costs for each group of employees.

16 \* **Sec. 47.** AS 39.35.780, as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

17 **Sec. 39.35.780. Limitations on contributions and benefits.** Notwithstanding  
18 any other provisions of this plan, the annual additions to each member's individual  
19 account under this plan and under all defined contribution plans of the employer  
20 required to be aggregated with the contributions from this plan under the provisions of  
21 26 U.S.C. 415 may not exceed, for any limitation year, the amount permitted under 26  
22 U.S.C. 415(e) at any time. If the amount of a member's individual account  
23 [DEFINED CONTRIBUTION PLAN] contributions exceeds the limitation of 26  
24 U.S.C. 415(e) for any limitation year, the administrator shall take any necessary  
25 remedial action to correct an excess contribution. A fixed benefit provided under  
26 this plan may not exceed, for or during a limitation year, the amount permitted  
27 under 26 U.S.C. 415(b). If a fixed benefit provided under this plan exceeds, for or  
28 during a limitation year, the amount permitted under 26 U.S.C. 415(b), the  
29 administrator shall take remedial action necessary to comply with the limits on  
30 the benefit amount in 26 U.S.C. 415(b). The provisions of 26 U.S.C. 415, and the  
31 regulations adopted under that statute, as applied to qualified [DEFINED

1 CONTRIBUTION] plans of governmental employees are incorporated as part of the  
2 terms and conditions of the plan.

3 \* Sec. 48. AS 39.35.790(b), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

4 (b) A member shall be fully vested in the employer contributions made on that  
5 member's behalf, and related earnings, after five years of service. A member shall be  
6 fully vested in the employer contributions made on that member's behalf to that  
7 member's individual account, and related earnings, under AS 39.35.890(d)(1). A  
8 member is partially vested in the employer contributions made on that member's  
9 behalf, and the related earnings, in the ratio of

10 (1) 25 percent with two years of service;

11 (2) 50 percent with three years of service; and

12 (3) 75 percent with four years of service.

13 \* Sec. 49. AS 39.35.800(b), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

14 (b) A participant may direct investment of plan funds held in an individual  
15 account among available investment funds in accordance with rules established by the  
16 board.

17 \* Sec. 50. AS 39.35.870(g), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

18 (g) An eligible person must make the irrevocable election to participate or not  
19 participate in the retiree major medical insurance plan by reaching 70 1/2 years of age,  
20 or upon application for retirement and medical benefits, whichever is later. The  
21 administrator may require an eligible person who deferred participation in the  
22 retiree major medical insurance plan at the time the person applied for  
23 retirement to show evidence of insurability or provide a letter of coverage when  
24 the person later applies to participate in the retiree major medical insurance  
25 plan. If the person does not establish insurability or provide a letter of coverage,  
26 the administrator may prohibit participation by the person in the retiree major  
27 medical insurance plan.

28 \* Sec. 51. AS 39.35.890(b), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

29 (b) The occupational disability benefits accrue beginning the first day of the  
30 month following termination of employment as a result of the disability and are  
31 payable the last day of the month. If a final determination granting the benefit is not

1 made in time to pay the benefit when due, a retroactive payment shall be made to  
 2 cover the period of deferment. The last payment shall be for the first month in which  
 3 the disabled employee

4 (1) dies;

5 (2) recovers from the disability;

6 (3) fails to meet the requirements under (f), (j), or (l) [(j)] of this  
 7 section; or

8 (4) reaches normal retirement age.

9 \* **Sec. 52.** AS 39.35.890(c), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

10 (c) If the disabled employee becomes ineligible to receive occupational  
 11 disability benefits before the normal retirement date, the disabled employee shall then  
 12 be entitled to receive retirement benefits if the employee would have been eligible for  
 13 the benefit had employment continued during the period of disability. The period of  
 14 disability constitutes membership service for the purposes of [IN REGARD TO]  
 15 determining eligibility for retirement and medical benefits under this chapter and  
 16 AS 39.30.300 - 39.30.495.

17 \* **Sec. 53.** AS 39.35.890(d), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

18 (d) The monthly amount of an occupational disability benefit is 40 percent of  
 19 the disabled employee's gross monthly compensation at the time of termination due to  
 20 disability. Notwithstanding AS 39.35.790(b), at the time a member is appointed to  
 21 disability, the member becomes fully vested in the employer contributions made  
 22 under AS 39.35.750(a). A disabled member is fully vested in the contributions to  
 23 the member's individual account made under this subsection. An employee is not  
 24 entitled to elect distributions from the employee's individual contribution  
 25 account under AS 39.35.810 while the employee is receiving disability benefits  
 26 under this section. While an employee is receiving disability benefits, based on the  
 27 disabled employee's gross monthly compensation at the time of termination due to  
 28 disability, the employer shall make contributions

29 (1) to the employee's individual account under AS 39.35.730 on behalf  
 30 of the employee, without deduction from the employee's disability payments; and

31 (2) on behalf of the employee under AS 39.35.750.

1 \* Sec. 54. AS 39.35.890(g), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

2 (g) A disabled employee's occupational disability benefit terminates the last  
3 day of the month [WHEN] the disabled employee first qualifies [ATTAINS  
4 ELIGIBILITY] for normal retirement. At that time, the employee's retirement benefit  
5 shall be determined under the provisions of AS 39.35.820 - 39.35.840, 39.35.870, and  
6 39.35.880. An employee whose occupational disability benefit terminates under  
7 this subsection [RECEIVING DISABILITY BENEFITS UP UNTIL ELIGIBILITY  
8 FOR RETIREMENT] shall be considered to have retired directly from the plan.

9 \* Sec. 55. AS 39.35.890(h), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

10 (h) Notwithstanding (g) of this section, at the time a peace officer or fire  
11 fighter receiving occupational disability benefits under this section first attains  
12 eligibility for normal retirement, the employee shall irrevocably elect to receive  
13 retirement benefits in the amount calculated as the

14 (1) employee's retirement benefit calculated under the provisions of  
15 AS 39.35.820 - 39.35.840; or

16 (2) employee's retirement benefit calculated as if the provisions of  
17 AS 39.35.370(c) were to apply; however, retirement benefits paid under this paragraph  
18 must be paid first from the peace officer's or fire fighter's individual contribution  
19 account, and the remaining benefits must be paid from the trust account  
20 established under AS 39.35.750(e); the peace officer or fire fighter may not elect  
21 other distributions from the peace officer's or fire fighter's individual  
22 contribution account under AS 39.35.810 while receiving retirement benefits  
23 under this paragraph [MAY NOT BE MADE FROM THE TRUST FUND OF THE  
24 PUBLIC EMPLOYEES' DEFINED BENEFIT RETIREMENT PLAN].

25 \* Sec. 56. AS 39.35.890(k), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

26 (k) Upon the death of a disabled employee who is receiving or is entitled to  
27 receive an occupational disability benefit, the administrator shall pay the surviving  
28 spouse a surviving spouse's pension, equal to 40 percent of the employee's monthly  
29 compensation at the termination of employment because of occupational disability. If  
30 there is no surviving spouse, the administrator shall pay the survivor's pension in equal  
31 parts to the dependent children of the employee. While the monthly survivor's

1 pension is being paid, the survivor is not entitled to elect distributions from the  
2 employee's individual contribution account under AS 39.35.810. The first payment  
3 of the surviving spouse's pension or of a dependent child's pension shall accrue from  
4 the first day of the month following the employee's death and is payable the last day of  
5 the month. The last payment shall be made the last day of [FOR] the last month in  
6 which there is an eligible surviving spouse or dependent child, or the last day of the  
7 month following the earliest date the employee would have first qualified for  
8 normal retirement if the employee had survived, whichever day comes sooner. A  
9 retirement benefit shall be determined under the provisions of AS 39.35.820 -  
10 39.35.840, 39.35.870, and 39.35.880 based on [ . ON] the date the employee would  
11 have first qualified for normal retirement [OF THE EMPLOYEE WOULD HAVE  
12 OCCURRED] if the employee had survived. In addition to payment of benefits  
13 from the member's individual account, from the time of the member's death, the  
14 date the member would have first qualified for normal retirement if the member  
15 had survived, the surviving spouse or, if there is no surviving spouse, the  
16 surviving dependent children of the member, shall receive an additional benefit  
17 equal to the actuarial value of an amount equal to the contributions that would  
18 have been made to the deceased member's individual account under  
19 AS 39.35.730(a) and 39.35.750(a), based on the deceased member's gross monthly  
20 compensation at the time of occupational disability. Earnings shall be allocated to  
21 the additional benefit calculated under this subsection based on the actual rate of  
22 return, net of expenses, of the trust account established under AS 39.35.750(e)  
23 over the period that the contributions would have been made. This additional  
24 amount shall be paid in the same manner as determined for the member's  
25 individual account under AS 39.35.820 - 39.35.860. For the purpose of  
26 determining eligibility of an employee's survivor who is receiving a benefit under  
27 this subsection for medical benefits under AS 39.35.870 - 39.35.880, an employee  
28 [LIVED, THE RETIREMENT BENEFIT SHALL BE DETERMINED UNDER THE  
29 PROVISIONS OF AS 39.35.820 - 39.35.840, 39.35.870, AND 39.35.880. AN  
30 EMPLOYEE] who died while receiving disability benefits shall be considered to have  
31 retired directly from the plan on the date the employee would have first qualified for

1 normal retirement if the employee had survived. The period during which the  
2 employee was eligible for a disability benefit and the period during which a  
3 survivor's pension is paid to a survivor under this subsection each constitute  
4 membership service for the purposes of determining vesting in employer  
5 contributions under AS 39.35.790(b) and eligibility for retirement and medical  
6 benefits under this chapter and AS 39.30.300 - 39.30.495 [NORMAL  
7 RETIREMENT OF THE EMPLOYEE WOULD HAVE OCCURRED IF THE  
8 EMPLOYEE HAD LIVED].

9 \* **Sec. 57.** AS 39.35.890(*l*), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

10 (l) In this section, "occupational disability" means a physical or mental  
11 condition that the administrator determines presumably permanently prevents  
12 an employee from satisfactorily performing the employee's usual duties for an  
13 employer or the duties of another comparable position or job available to the  
14 employee and for which the employee is qualified by training or education;  
15 however, the proximate cause of the condition must be a bodily injury sustained,  
16 or a hazard undergone, while in the performance and within the scope of the  
17 employee's duties and not the proximate result of the wilful negligence of the  
18 employee [HAS THE MEANING GIVEN IN AS 39.35.680].

19 \* **Sec. 58.** AS 39.35 is amended by adding a new section to read:

20 **Sec. 39.35.891. Disability benefit and disabled peace officer or fire fighter**  
21 **retirement benefit adjustment.** (a) Once each year, the administrator shall increase  
22 disability benefits and retirement benefits elected by disabled peace officers or fire  
23 fighters under AS 39.35.890(h)(2). The amount of the increase is a percentage of the  
24 current disability benefit or retirement benefit equal to the lesser of 75 percent of the  
25 increase in the cost of living in the preceding calendar year or nine percent.

26 (b) If a disabled member was not receiving a benefit during the entire  
27 preceding calendar year, the increase in the benefit under this section shall be adjusted  
28 by multiplying it by a fraction, the numerator of which is the number of months for  
29 which the benefit was received in the preceding calendar year and the denominator of  
30 which is 12.

31 (c) If a disabled peace officer or fire fighter elects to receive a retirement

1 benefit in the amount calculated under AS 39.35.890(h)(2), the administrator shall, at  
2 the time the disabled peace officer or fire fighter is appointed to retirement, increase  
3 the retirement benefit by a percentage equal to the total cumulative percentage that has  
4 been applied to the disabled peace officer's or fire fighter's disability benefit under this  
5 section.

6 (d) An increase in benefit payments under this section is effective July 1 of  
7 each year and is based on the percentage increase in the Consumer Price Index for  
8 urban wage earners and clerical workers for Anchorage, Alaska, during the previous  
9 calendar year, as determined by the United States Department of Labor, Bureau of  
10 Labor Statistics.

11 (e) Benefit adjustments under this section shall terminate the last day of the  
12 month following the date on which a disabled member is no longer receiving a  
13 disability benefit under AS 39.35.890, unless the member is a disabled peace officer or  
14 fire fighter and has chosen a retirement benefit under AS 39.35.890(h)(2).

15 \* **Sec. 59.** AS 39.35.892(b), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

16 (b) The first payment of the surviving spouse's pension or of a dependent  
17 child's pension shall be made for the month following the month in which the  
18 employee dies. Payments [ , AND PAYMENT] shall cease on the last day of the  
19 month in which there is no longer an eligible spouse or eligible dependent child,  
20 or the last day of the month following the earliest date [TO BE MADE  
21 BEGINNING WITH THE MONTH IN WHICH] the employee would have first  
22 qualified for normal retirement if the employee had survived, whichever day is  
23 sooner.

24 \* **Sec. 60.** AS 39.35.892(c), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

25 (c) The monthly survivor's pension in (b) of this section for survivors of  
26 employees who were not peace officers or fire fighters is 40 percent of the employee's  
27 monthly compensation in the month in which the employee dies. The monthly  
28 survivor's pension in (b) of this section for survivors of employees who were peace  
29 officers or fire fighters is 50 percent of the monthly compensation in the month in  
30 which the employee dies. While the monthly survivor's pension is being paid, the  
31 survivor is not entitled to elect distributions from the employee's individual

1 contribution account under AS 39.35.810, except as required by AS 39.35.840.

2 While the monthly survivor's pension is being paid, the employer shall make  
3 contributions on behalf of the employee's surviving spouse and employee's  
4 surviving dependent children [BENEFICIARIES] based on the deceased employee's  
5 gross monthly compensation at the time of occupational death

6 [(1) TO THE EMPLOYEE'S INDIVIDUAL ACCOUNT UNDER  
7 AS 39.35.730, WITHOUT DEDUCTION FROM THE SURVIVOR'S PENSION;  
8 AND

9 (2)] to the appropriate accounts and funds under AS 39.35.750**(b) - (e)**.

10 \* Sec. 61. AS 39.35.892(e), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

11 (e) On the date the employee would have first qualified for normal  
12 retirement [OF THE EMPLOYEE WOULD HAVE OCCURRED] if the employee  
13 had survived [LIVED], the retirement benefit shall be determined under the  
14 provisions of AS 39.35.820 - 39.35.840, 39.35.870, and 39.35.880. In addition to  
15 payment of benefits from the member's individual account, from the time of the  
16 member's death, the date the member would have first qualified for normal  
17 retirement if the member had survived, the surviving spouse or, if there is no  
18 surviving spouse, the surviving dependent children of the member, shall receive  
19 an additional benefit equal to the actuarial value of an amount equal to the  
20 contributions that would have been made to the deceased member's individual  
21 account under AS 39.35.730(a) and AS 39.35.750(a), based on the deceased  
22 member's gross monthly compensation at the time of occupational death.  
23 Earnings shall be allocated to the additional benefit calculated under this  
24 subsection based on the actual rate of return, net of expenses, of the trust account  
25 established under AS 39.35.750(e) over the period that such contributions would  
26 have been made. This additional amount shall be paid in the same manner as  
27 determined for the member's individual account under AS 39.35.820 - 39.35.860.  
28 An employee who died and whose survivors receive occupational death benefits under  
29 this section shall be considered to have retired directly from the plan on the date the  
30 [NORMAL RETIREMENT OF THE] employee would have first qualified for  
31 normal retirement [OCCURRED] if the employee had survived. The period of time

1 during which a survivor's pension is paid under this section constitutes  
2 membership service for the purposes of determining vesting in employer  
3 contributions under AS 39.35.790(b) and eligibility for retirement and medical  
4 benefits under this chapter and AS 39.30.300 - 39.30.495 [LIVED].

5 \* Sec. 62. AS 39.35 is amended by adding new sections to read:

6 **Sec. 39.35.893. Survivor's pension adjustment.** (a) Once each year, the  
7 administrator shall increase payments to a person 60 years of age or older receiving a  
8 survivor's pension under AS 39.35.890(k) or 39.35.892(c) and to a person who has  
9 received a survivor's pension under AS 39.35.890(k) or 39.35.892(c) for at least five  
10 years, who is not otherwise eligible for an increase under this section.

11 (b) The amount of the increase is a percentage of the current survivor's  
12 pension equal to the lesser of 50 percent of the increase in the cost of living in the  
13 preceding calendar year or six percent.

14 (c) If a survivor was not receiving a pension during the entire preceding  
15 calendar year, the increase in the survivor's pension under this section shall be  
16 adjusted by multiplying it by a fraction, the numerator of which is the number of  
17 months for which the pension was received in the preceding calendar year and the  
18 denominator of which is 12.

19 (d) The administrator shall increase the initial survivor's pension paid to a  
20 survivor of a member who died while receiving disability benefits by a percentage  
21 equal to the total cumulative percentage that has been applied to the member's  
22 disability benefit under AS 39.35.891.

23 (e) An increase in benefit payments under this section is effective July 1 of  
24 each year and is based on the percentage increase in the Consumer Price Index for  
25 urban wage earners and clerical workers for Anchorage, Alaska, during the previous  
26 calendar year, as determined by the United States Department of Labor, Bureau of  
27 Labor Statistics.

28 (f) Pension adjustments under this section shall terminate the last day of the  
29 month following the date on which a survivor is no longer receiving a survivor's  
30 pension under AS 39.35.890(k) or 39.35.892(c).

31 **Sec. 39.35.894. Premiums for retiree major medical insurance coverage**

1 upon termination of disability benefits or survivor's pension. The premium for  
2 retiree major medical insurance coverage payable by an employee whose disability  
3 benefit is terminated under AS 39.35.890(g) or by an eligible survivor whose survivor  
4 pension is terminated under AS 39.35.890(k) or 39.35.892(e) when the employee  
5 would have been eligible for normal retirement if the employee had survived shall be  
6 determined under AS 39.35.880(g)(2) as if the employee or survivor were eligible for  
7 Medicare.

8 \* **Sec. 63.** AS 39.35.910, as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

9 **Sec. 39.35.910. Nonguarantee of returns, rates, or benefit amounts.** The  
10 plan created by AS 39.35.700 - 39.35.990 is, with respect to individual accounts,  
11 treated as a defined contribution plan and [PLAN,] not a defined benefit plan. The  
12 amount of money in the individual account of a participant depends on the amount of  
13 contributions and the rate of return from investments of the account that varies over  
14 time. If benefits are paid in the form of an annuity, the benefit amount payable is  
15 dependent on the amount of money in the account and the interest rates applied and  
16 service fees charged by the annuity payor at the time the annuity is purchased from  
17 the carrier and benefits are first paid. Nothing in this plan guarantees a participant

18 (1) a rate of return or interest rate other than that actually earned by the  
19 account of the participant, less applicable administrative expenses; or

20 (2) an annuity based on interest rates or service charges other than  
21 interest rates available from and service charges by the annuity payor in effect at the  
22 time the annuity is paid.

23 \* **Sec. 64.** AS 39.35.940(c), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

24 (c) Each eligible member who elects to participate in the defined contribution  
25 retirement plan shall have transferred to a new account the employee contribution  
26 account balance held in trust for the member under the defined benefit retirement plan  
27 of the public employees' retirement system. A matching employer contribution shall  
28 be made on behalf of that employee to the new account. The employer shall make the  
29 matching contribution from funds other than the trust funds of the defined benefit  
30 retirement plan established under AS 39.35.095 - 39.35.680. The amount of the  
31 matching employer contribution shall be subject to, and may not exceed, the

1           limitation of 26 U.S.C. 415(c) during the applicable limitation year in which the  
2           contribution is made.

3           \* Sec. 65. AS 39.35.940(d), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

4                   (d) Upon a transfer, all membership service previously earned under the  
5                   defined benefit retirement plan shall be nullified for purposes of entitlement to a future  
6                   benefit under the defined benefit retirement plan but shall be credited for purposes of  
7                   determining vesting in employer contributions under AS 39.35.790(b) and  
8                   eligibility to elect medical benefits under AS 39.35.870. Membership service allowed  
9                   for credit toward medical benefits does not include any service credit purchased for  
10                  employment by an employer who is not a participating employer in this chapter.

11          \* Sec. 56. AS 39.35.940(h), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

12                   (h) An employee who is eligible to elect transfer to the defined  
13                   contribution plan must make the election not later than 12 months after the  
14                   employee's employer notifies the administrator that the employee's employer  
15                   consents to transfers of its employees under (i) of this section. The election to  
16                   participate in the defined contribution retirement plan must be made in writing on  
17                   forms and in the manner prescribed by the administrator. Before accepting an election  
18                   to participate in the defined contribution retirement plan, the administrator must  
19                   provide the employee planning on making an election to participate in the defined  
20                   contribution retirement plan with information, including calculations to illustrate the  
21                   effect of moving the employee's retirement plan from the defined benefit retirement  
22                   plan to the defined contribution retirement plan as well as other information to clearly  
23                   inform the employee of the potential consequences of the employee's election. An  
24                   election made under this subsection to participate in the defined contribution  
25                   retirement plan is irrevocable. Upon making the election, the participant shall be  
26                   enrolled as a member of the defined contribution retirement plan, the member's  
27                   participation in the plan shall be governed by the provisions of AS 39.35.700 -  
28                   39.35.990, and the member's participation in the defined benefit retirement plan under  
29                   AS 39.35.115 shall terminate. The participant's enrollment in the defined contribution  
30                   retirement plan shall be effective the first day of the month after the administrator  
31                   receives the completed enrollment forms. An election made by an eligible member

1 who is married is not effective unless the election is signed by the individual's spouse.

2 \* **Sec. 67.** AS 39.35.940(i), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to read:

3 (i) A member may make an election under this section only if the member's  
4 employer participates in both the defined benefit retirement plan and the defined  
5 contribution retirement plan and consents to transfers under this section. The employer  
6 shall notify the administrator if the employer consents to allowing the employer's  
7 members to choose to transfer from the defined benefit retirement plan to the defined  
8 contribution retirement plan under this section. The initial period during which the  
9 employer's members may choose to transfer commences on the first day of the  
10 month following the administrator's receipt of notice under this subsection and  
11 continues for 12 months. An employer may consent to extend the initial period to  
12 a second period of 12 months during which the employer's members may choose  
13 to transfer from the defined benefit retirement plan to the defined contribution  
14 retirement plan under this section. The second period commences on the first day  
15 of the month following the end of the initial period and continues for 12 months.

16 An employer's initial notice to allow transfers is irrevocable and applicable to all  
17 eligible employees of the employer. An employer's second notice to allow transfers  
18 under this section is irrevocable and applicable only to those eligible employees to  
19 whom the initial period of transfer was not available.

20 \* **Sec. 68.** AS 39.35.940(j), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended by  
21 adding a new paragraph to read:

22 (3) "membership service" means service with a participating employer  
23 under AS 39.35.095 - 39.35.680 for which contributions have been paid and does not  
24 include any service for which reinstatement indebtedness has not been fully paid.

25 \* **Sec. 69.** AS 39.35 is amended by adding new sections to read:

26 **Sec. 39.35.957. Designation of eligible employees, agreement to contribute,**  
27 **and amendment of participation.** (a) A political subdivision or public organization  
28 participating in the defined contribution retirement plan under AS 39.35.700 -  
29 39.35.990 shall designate the departments, groups, or other classifications of  
30 employees eligible to participate in the plan and, by participating, shall legally be  
31 presumed to have agreed to make contributions each year in the amounts required for

1 members of the plan under AS 39.35.750.

2 (b) If the employer does not participate in the defined benefit retirement plan  
3 under AS 39.35.095 - 39.35.680, an employee who is eligible under (a) of this section  
4 and who is a member of the defined benefit retirement plan under AS 39.35.095 -  
5 39.35.680 does not accrue credited service or make contributions under that defined  
6 benefit retirement plan, but shall be a member of the defined contribution retirement  
7 plan under AS 39.35.700 - 39.35.990 and make contributions under that plan.

8 (c) An employer may request to amend its participation in the plan to add or  
9 exclude departments, groups, or other classifications of employees by filing a  
10 resolution as provided by AS 39.35.950 or 39.35.955 with the administrator.

11 **Sec. 39.35.958. Termination of participation in the plan.** (a) A political  
12 subdivision or public organization may request that its participation in the plan be  
13 terminated. The request may be made only after adoption of a resolution by the  
14 legislative body of the political subdivision and approval of the resolution by the  
15 person required by law to approve the resolution, or, in the case of a public  
16 organization, after adoption of a resolution by the governing body of that public  
17 organization. A certified copy of the resolution shall be filed with the administrator.

18 (b) If contributions are not transmitted to the plan within the prescribed time  
19 limit, the commissioner of administration may grant an extension and shall assess  
20 interest on the outstanding contributions at the rate established under AS 39.35.610. If  
21 the political subdivision or public organization is in default at the end of the extension,  
22 participation in the plan is terminated, and it shall be sent notice of termination.

23 (c) When an employer's participation in the plan is terminated, or when an  
24 employer terminates coverage of a department, group, or other classification of  
25 employees under AS 39.35.957(c), the administrator shall assess the employer an  
26 amount that the administrator determines is actuarially required to fully fund the costs  
27 to the plan for employees whose coverage is terminated, including the cost of  
28 providing the employer's share of retiree health benefits under AS 39.35.880,  
29 occupational disability and occupational death benefits under AS 39.35.890 and  
30 39.35.892, and retirement benefits elected under AS 39.35.890(h)(2).

31 (d) An employee whose coverage under the plan is terminated as a result of

1 termination of an employer's participation under this section or amendment of the  
 2 employer's agreement under AS 39.35.957(c) shall be considered fully vested in  
 3 employer contributions under AS 39.35.790(b) and in the individual account  
 4 established for the employee under AS 39.30.370. If the employee is later employed  
 5 with a participating employer, the employee's membership service earned under the  
 6 plan during employment with a terminated employer shall be credited for purposes of  
 7 determining vesting in employer contributions under AS 39.35.790(b) and eligibility  
 8 for retirement and medical benefits under this chapter and AS 39.30.300 - 39.30.495.

9 \* Sec. 70. AS 39.35.990(16), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to  
 10 read:

11 (16) "member" or "employee" means a person who is eligible to  
 12 participate in the plan and who is covered by [AN EMPLOYEE OF AN  
 13 EMPLOYER OR FORMER EMPLOYEE OF AN EMPLOYER WHO RETAINS A  
 14 RIGHT TO BENEFITS UNDER] the plan, but does not include full-time or part-time  
 15 instructors of the Department of Labor and Workforce Development and the  
 16 Department of Education and Early Development in positions that require a  
 17 teaching certificate;

18 \* Sec. 71. AS 39.35.990(20), as enacted by sec. 122, ch. 9, FSSLA 2005, is amended to  
 19 read:

20 (20) "peace officer" or "fire fighter" means an employee occupying a  
 21 position as a peace officer, chief of police, regional public safety officer,  
 22 correctional officer, correctional superintendent, fire fighter, fire chief, or  
 23 probation officer, but does not include a village public safety officer employed by  
 24 a village public safety officer program established under AS 18.65.670 [HAS THE  
 25 MEANING GIVEN IN AS 39.35.680];

26 \* Sec. 72. AS 39.45 is amended by adding a new section to read:

27 Sec. 39.45.055. Appeals. A final decision made under AS 39.45.010 -  
 28 39.45.060 is subject to appeal under AS 44.64

29 \* Sec. 73. AS 44.64.030(a) is amended by adding new paragraphs to read:

30 (36) AS 14.25.175 (waiver of adjustments under teachers' defined  
 31 benefit plan);

- 1 (37) AS 39.30.165 (supplemental benefits system);
- 2 (38) AS 39.30.335 (teachers' and public employees' health
- 3 reimbursement arrangement plan);
- 4 (39) AS 39.35.522 (waiver of adjustments under public employees'
- 5 defined benefit plan)
- 6 (40) AS 39.45.055 (public employees' deferred compensation
- 7 program).

8 \* **Sec. 74.** The uncodified law of the State of Alaska enacted in sec. 134, ch. 9, FSSLA  
 9 2005, is amended to read:

10 Sec. 134. EMPLOYER CONTRIBUTIONS FOR OCCUPATIONAL  
 11 DISABILITY AND DEATH BENEFITS IN THE PUBLIC EMPLOYEES' DEFINED  
 12 CONTRIBUTION RETIREMENT PLAN FOR THE FIRST FISCAL YEAR THE  
 13 PLAN IS IN EFFECT. Notwithstanding AS 39.35.750(e), added by sec. 122, ch. 9,  
 14 FSSLA 2005 [OF THIS ACT], for the first fiscal year in which the public employees'  
 15 defined contribution retirement plan is in effect, the employer contribution to fully  
 16 fund the cost of providing occupational disability and occupational death benefits  
 17 under AS 39.35.890 and 39.35.892 shall be equal to

- 18 (1) 0.4 percent of the compensation for peace officers and fire fighters
- 19 who are members in the plan; and
- 20 (2) 0.3 percent of the compensation for all other employees who are
- 21 members in the plan.

22 \* **Sec. 75.** AS 14.25.045, 14.25.570; and AS 39.35.050(a) are repealed.

23 \* **Sec. 76.** AS 14.25.070(b) and AS 39.35.270(b) are repealed.

24 \* **Sec. 77.** AS 39.35.375(f) is repealed July 1, 2010.

25 \* **Sec. 78.** The uncodified law of the State of Alaska is amended by adding a new section to  
 26 read:

27 EMPLOYER CONTRIBUTIONS FOR OCCUPATIONAL DISABILITY AND  
 28 OCCUPATIONAL DEATH BENEFITS IN THE TEACHERS' DEFINED CONTRIBUTION  
 29 RETIREMENT PLAN FOR THE FIRST FISCAL YEAR THE PLAN IS IN EFFECT.  
 30 Notwithstanding AS 14.25.550(e), added by sec. 8 of this Act, for the first fiscal year in which  
 31 the teachers' defined contribution retirement plan is in effect, the employer contribution to

1 fully fund the cost of providing occupational disability and occupational death benefits under  
2 AS 14.25.485 and 14.25.487 shall be equal to 5.22 percent of the amount of compensation  
3 paid to all teachers who work for the employer in that year and are members of the plan.

4 \* **Sec. 79.** The uncodified law of the State of Alaska is amended by adding a new section to  
5 read:

6 **RETROACTIVITY.** Section 76 of this Act is retroactive to July 1, 2005.

7 \* **Sec. 80.** Sections 3 and 38 of this Act take effect July 1, 2008.

8 \* **Sec. 81.** Sections 4, 39, and 40 of this Act take effect on July 1, 2010.

9 \* **Sec. 82.** Sections 76 and 79 of this Act take effect immediately under AS 01.10.070(c).

10 \* **Sec. 83.** Except as provided in secs. 80 - 82 of this Act, this Act takes effect July 1, 2006.

# ALASKA STATE LEGISLATURE

*Chair*  
STATE AFFAIRS

*Member*  
RESOURCES

*Member*  
HEALTH, EDUCATION AND SOCIAL SERVICES

*Member*  
WAYS AND MEANS



*Session:*  
State Capitol Building  
Juneau, Alaska 99801  
Phone 907-465-2689  
Fax 907-465-3472  
1-800-665-2689  
Rep.Paul.Seaton@legis.state.ak.us

*Interim:*  
345 W. Sterling Highway  
Suite 102B  
Homer, Alaska 99603  
Phone 907-235-2921  
Fax 907-235-4008

**REPRESENTATIVE PAUL SEATON**  
House District 35

## Sponsor Statement HB 475

HB 475 is a clean up bill to the Retirement Security Act (SB 141) that passed last session. Due to the length of SB 141, a handful of errors and oversights were made that need to be changed for a smooth transition to Tier IV. HB 475 is a technical bill. It is not intended to include any policy changes.

Revisions encompassed in HB 475:

- Clarifies provisions regarding PERS/TRS death and disability benefits, including how those benefits will be funded
- Clarifies requirements for non-vested Tier II or III employees who wish to transfer to Tier IV
- Clarifies the eligibility requirements for medical benefits
- Clarifies the basis for calculating employer contribution rates
- Clarifies that a period of death or disability counts towards a member's retirement eligibility for retirement
- Disallows employment with NEA as counting towards Tier IV retirement eligibility
- Clarifies the procedure for an appeal to the Office of Administrative Hearings
- Establishes provisions for employer termination from the plan
- Clarifies that refunding into the PERS system will be disallowed after 2010
- Changes required for PERS/TRS to maintain IRS tax qualified status
- Cosmetic Changes

The above listed changes are not absolutely necessary for Tier IV to come on line July 1, 2006. However, these revisions clarify many aspects of the statutes, providing a benefit both to the plan and members. If changes are not made, many crucial decisions will be left to the Administrator of the plan without proper guidance from the legislature.



Louanne Christian

---

From: Bob Deitrick [deitrick@ptialaska.net]  
Sent: Tuesday, April 11, 2006 10:55 AM  
To: Louanne Christian  
Subject: HB475 Comments

Ms. Christian,

I was advised by Ginny Austerman that you would be the person to contact regarding my concerns about HB 141 and the bill, HB 475, attempting to bring HB 141 into compliance with the IRS code. My understanding is that there are already more than 50 amendments to HB 141 being proposed. Please distribute my message to the members of the House Finance Committee.

The implementation of HB 141 with the intended defined contribution plan causes me great concern. My understanding is that after 5 years a teacher could take their investment, as well as 100% of the district's contribution, and leave the state. Under this plan I believe that there is no commitment for folks to remain in Alaska and provide continuity to programs in our school districts. This is a major NEGATIVE IMPACT to our children and our communities.

I am a retired teacher, Tier 1, and when I started working in Alaska in 1975 the retirement plan was an incentive for me to stay in Alaska, commit to our children and our community. I do not see this happening under the defined contribution plan.

Alaskan school districts are working hard to implement the mandates of No Child Left Behind, Individuals with Disabilities Education Act, state school board policy, and state standards. It is a difficult task which needs experienced folks in order to implement the requirements, and to educate our youth. To continuously recruit and train new teachers in our state is costly, taking away funds that should be used in our classrooms. We need an incentive for folks to stay in Alaska.

When I was employed as a teacher in the Juneau School District, we had a very low turnover rate. It was difficult to get a job in Juneau. HB141 will not provide the needed incentive to stay. We will see a higher turnover rate and the trend is already starting. It is difficult to keep folks in Alaska even with the Tier 1 benefits. Incentives being offered in the "Lower 48" school districts are making it difficult for Alaska's school administrators to recruit educators to come to their districts.

I am very concerned about the recent number of job vacancies posted in my school district, especially in the area of special education. I have a disabled grandchild who receives special education services. I believe that for folks to be grounded in special education and provide services desired to educate special needs students, we need to have continuity of staff in special education, as well as in the regular classroom. Special needs students must have access to the general education curriculum in the least restrictive environment, with their non-disabled peers, and taught by regular classroom teachers who are experienced in providing accommodations and modifications in their curriculum/instruction.

HB 141 and the defined contribution plan will have a NEGATIVE impact on my grandchild's education!

I understand the concern regarding the "unfunded liability". I believe that we are not at the crisis stage at this point. There is a need to revise our defined contribution retirement plan.

I encourage your committee to amend HB 141 so that there will be a delay in implementation for 7 years. As Alaskans, we need time to address these issues and develop a sound plan that will provide an incentive for education personnel to remain in Alaska, as well as provide for a sound retirement plan.

Sincerely,

Robert Deitrick  
4421 Teel Court  
Juneau, Alaska 99801  
(907) 789-0951

THE  
FOLLOWING  
DOCUMENT(S)  
ARE  
POOR  
ORIGINAL  
COPIES



## Alaska Retirement Management Board

P.O. Box 110405  
Juneau, Alaska 999811-0405  
(907) 465-3749

January 27, 2006

The Honorable Kim Elton  
Alaska State Senate  
Alaska State Capitol  
Juneau, Alaska 99801-1182

Dear Senator Elton:

The Alaska Retirement Management Board (ARMB) received your January 9, 2006 letter at its meeting in Juneau January 12<sup>th</sup> and 13<sup>th</sup>. Your interest in addressing the unfunded liabilities of the retirement systems is appreciated by the board as we begin our work on this issue.

You requested comparative data of the cost to PERS and TRS employers of retirement benefits for the new Defined Contribution Plan (referenced as Tier IV in your letter) created by SB141 with costs for Tier III members. The tables below provide an analysis of the FY 2006 normal cost, expressed as a percentage of payroll, required to fund the pension, health and other benefits for Tier III employees and Tier IV employees:

Defined Benefit Plans	Employer Normal Cost		Employee Normal Cost		Total Normal Cost	
	PERS Tier III	TRS Tier II	PERS Tier III	TRS Tier II	PERS Tier III	TRS Tier II
Retirement Benefits	3.51	3.78	6.81	8.85	10.32	12.43
Medical Benefits	7.23	7.93	0.00	0.00	7.23	7.93
<b>Total</b>	<b>10.74</b>	<b>11.71</b>	<b>6.81</b>	<b>8.85</b>	<b>17.56</b>	<b>20.36</b>

The Honorable Kim Elton  
 January 27, 2008  
 Page Two

Defined Contribution Plans	Employer Normal Cost		Employee Normal Cost		Total Normal Cost	
	PERS Tier IV	TRS Tier III	PERS Tier IV	TRS Tier III	PERS Tier IV	TRS Tier III
Individual Account	5.00	7.00	8.00	8.00	13.00	15.00
Medical Benefits	4.75	4.75	0.00	0.00	4.75	4.75
Other	0.31	0.22*	0.00	0.00	0.31	0.22*
<b>Total</b>	<b>10.06</b>	<b>11.97</b>	<b>8.00</b>	<b>8.00</b>	<b>18.06</b>	<b>19.97</b>

*Handwritten notes:*  
 None  
 Less  
 3/1/08

\*Disability and death benefits cost estimate; however, these were not included in the employer contribution statutes for the new TRS DCR plan.

Because the Legislature is seeking to address the unfunded liability of the Public Employees' and Teachers' Retirement Systems, it is important to understand the cost to employers of that liability. To that end, additional comparison information is enclosed for the retirement systems that includes all costs for all tiers.

If there is any additional information we can provide, please don't hesitate to contact the trustees either directly or through our staff.

Sincerely,

*Handwritten signature: Gary M. Barber for*

Gail R. Schubert, Chair

Enclosure

**COMPARISON OF COSTS FY 2007  
DEFINED BENEFIT PLANS and DEFINED CONTRIBUTION PLANS**

Public Employees' Retirement System					
Tiers I-III Defined Benefit Plan					
Benefit	Normal Cost	Past Service Cost	Total Cost	Employee Contribution	Employer Contribution
Pension	0.36	8.36	17.71	8.87	10.00
Health	8.83	8.14	18.07	0	15.07
Other	1.85	0.37	2.22	0	2.22
<b>Total</b>	<b>26.13</b>	<b>14.87</b>	<b>38.68</b>	<b>8.87</b>	<b>28.19</b>
Tier IV Defined Contribution Retirement Plan					
Benefit	Normal Cost	Past Service Cost	Total Cost	Employee Contribution	Employer Contribution
Pension	13.00	0.00	13.00	8.00	5.00
Health	4.75	0.00	4.75	0.00	4.75
Other	0.31	0.00	0.31	0.00	0.31
<b>Total</b>	<b>18.06</b>	<b>0.00</b>	<b>18.06</b>	<b>8.00</b>	<b>10.06</b>
<b>Difference</b>	<b>-2.07</b>	<b>-14.87</b>	<b>-18.94</b>	<b>1.18</b>	<b>-18.13</b>

Teachers' Retirement System					
Tiers I-III Defined Benefit Plan					
Benefit	Normal Cost	Past Service Cost	Total Cost	Employee Contribution	Employer Contribution
Pension	12.08	18.07	31.08	8.68	22.37
Health	8.83	8.71	17.54	0	17.54
Other	1.53	0.34	1.87	0	1.87
<b>Total</b>	<b>22.44</b>	<b>28.62</b>	<b>50.48</b>	<b>8.68</b>	<b>(41.78)</b>
Tier III Defined Contribution Retirement Plan					
Benefit	Normal Cost	Past Service Cost	Total Cost	Employee Contribution	Employer Contribution
Pension	15.00	0.00	15.00	8.00	7.00
Health	4.75	0.00	4.75	0.00	4.75
Other	0.22	0.00	0.22	0.00	0.22
<b>Total</b>	<b>19.97</b>	<b>0.00</b>	<b>19.97</b>	<b>8.00</b>	<b>11.97</b>
* Disability and death benefits cost estimate; however, these were not included in the employer contribution estimate for the new TPB JCR plan.					
<b>Difference</b>	<b>-2.47</b>	<b>-28.62</b>	<b>-30.49</b>	<b>-0.68</b>	<b>-28.81</b>

service credit; amendments to former law governing award of "ad hoc" PRPAs; changes in retiree medical coverage affecting spouses and certain dependents of people receiving survivor benefits; and amendments to the board structure for governance of the systems.

☆

We have found no case law that specifically addresses application to former members of changes in public retirement system statutes that provide for reinstatement of service credit. However, it is arguable that a former member who cashed out the TRS or PERS contribution account after severing the employment relationship that gave rise to rights under the retirement system has no remaining rights that could be impaired by any subsequent change to the retirement system statutes. Furthermore, the reinstatement statutes do not explicitly provide that reinstatement of cashed-out service credit upon reemployment also reinstates a former member to the former member's original "tier" status.<sup>23</sup> While a definitive answer to this issue will only be provided by the Alaska Supreme Court, we believe the amendments are defensible.

We addressed the issue of changes to the former law regarding award of ad hoc PRPAs in the memorandum of advice dated April 20, 2005, advising that legislation that limits the administrator's discretion to award an ad hoc PRPA might be subject to challenge.<sup>24</sup> However, in enacting the 105 percent standard, the legislature had evidence that ad hoc PRPAs previously granted by the administrator exercising unlimited discretion had contributed substantially to the unfunded liabilities of the TRS and PERS funds. If the legislation establishing a standard for the administrator's exercise of discretion is challenged, this evidence may support the standard.

Regarding amendments to retiree medical coverage provisions made by sec. 22 to AS 14.25. 68(a) and sec. 116 to AS 39.35.535(a), although we have found no case law directly on point, we note that a person who becomes the spouse or a dependent of a retiree's survivor after the retiree's death has no connection with the employment relationship between the retiree and the retiree's TRS or PERS employer that gives rise to any vested right under art. XII, sec. 7, of the Alaska Constitution.<sup>25</sup> Therefore, we believe that application of these statutory changes to spouses and dependents of current survivors of deceased members and to new spouses and dependents of eventual survivors

<sup>23</sup> A member's tier status in the current TRS and PERS defined benefit plans determines the age of retirement eligibility and level of medical benefits available upon retirement, based on the law in effect when the member became a member of the pertinent system. TRS currently has two recognized tiers, and PERS has three.

<sup>24</sup> 2005 Inf. Op. Att'y Gen.; 663-05-0192 (Apr. 20).

<sup>25</sup> New spouses and dependents of survivors who were not dependents of the deceased retiree do not meet the definition of "dependent" of the retiree set out in 26 U.S.C. 152, as required by 26 U.S.C. 401(h). These amendments are made in order for the state's retirement plans to comply with federal plan qualification requirements, and for payment of medical expenses out of the state's trust funds to comply with federal requirements for qualified trusts.



# NEA-ALASKA

*Affiliated with the National Education Association*

## TESTIMONY ON HB 475 BILL BJORK, PRESIDENT NEA-ALASKA

Chairman Rep. Seaton and members of the House State Affairs Committee, my name is Bill Bjork and I serve as the President of NEA-Alaska. NEA-Alaska represents over 11,400 active public school employees and over 1,300 retired public school teachers. I appreciate the opportunity to testify on HB 475.

I cannot avoid the temptation to say, "I told you so." Last year I urged this committee to take its time to examine the retirement issues as it considered HB 238 as it was drafted last year and SB 141. In fact NEA-Alaska specifically encouraged the committee to use the interim to study all the issues and work with the employee organizations to fashion a good solution to the retirement liability dilemma. Today we are here looking at HB 475 which "is a clean up bill to" SB 141. Again, NEA-Alaska urges you to set aside HB 475 and in its place introduce a companion bill to SB 293, which would delay the implementation of SB 141 until July 1, 2008.

According to the Sponsor Statement, "a handful of errors and oversights were made that need to be changed for a smooth transition." My hand could hold four or five items, but not thirteen (13) bulleted items that actually make over twenty (20) amendments to the law. If this is the number of changes proffered now, what might be the number discovered with further study. In fact no one is sure that the present plan, even with the changes "required prior to July 1, 2006", will meet the compliance regulations of federal law. In fact several folks, who understand federal ERISA regulations and Internal Revenue Code, believe the basis of the Health Reserve Account contribution must be changed "to the average compensation for all plan participants." Thus, I repeat NEA-Alaska's request that you set aside HB 475 and in its place introduce a companion bill to SB 293, which would delay the implementation of SB 141 until July 1, 2008.

Last session, NEA-Alaska urged you to consider the impact on the present retirement plans if the plans are closed and, thus, the payroll based contributions are reduced. You assured us there was no impact. Today we know better. We know "employer rates for past service costs will continue to rise as amortized liability is applied to a shrinking payroll paid to members of the defined benefit plans." Thus, not only did SB 141 not address the liability of the retirement plans, it increased the liability for employers. Are you sure that the proposed change will not lead to greater problems? Do you have the actuarial data to make this determination? NEA-Alaska believes the answer is no to both questions. Thus, I repeat NEA-Alaska's request that you set aside HB 475 and in its place introduce a companion bill to SB 293, which would delay the implementation of SB 141 until July 1, 2008.

NEA-Alaska believes that the \$5.7 billion liability of the present plans is not growing as fast as it was projected to grow last session. One reason is the larger than expected investment return. We are also waiting for the actuarial reports to the ARM board to determine whether or not Mercer's assumptions were appropriate given the Alaska experience. It seems inappropriate to act until we hear from the folks SB 141 authorized to make recommendations.

As the committee knows from NEA-Alaska's testimony last year, we believe a defined benefits plan is far superior to a defined contributions plan for retirement purposes for public employees. We understand the concerns of the entire legislature that predictability of costs and limitation of liability must be primary components of any new plan. NEA-Alaska believes a defined benefits plan can be fashioned based on a set contribution from the employer and the employee and the legislature should have the opportunity to choose between SB 141 and such a plan. Last year's forced choice was not good public policy. Thus, I repeat NEA-Alaska's request that you set aside HB 475 and in its place introduce a companion bill to SB 293, which would delay the implementation of SB 141 until July 1, 2008.

Thank you for your time.

## Rep. Paul Seaton

---

From: Gerry Guay [gcgjguay@gci.net]  
Sent: Monday, March 06, 2006 11:53 PM  
To: Rep. Paul Seaton; Representative\_Carl\_Gatto%  
Representative\_Max\_Gruenberg@legis.state.ak.us; Rep. Bob Lynn; Rep. Jim  
Elkins; Rep. Jay Ramras; Rep. Berta Gardner  
Subject: HB 475

I stayed and worked long hour for less than adequate pay, trained my industry counterparts on how the job really was to be done, served the public, and performed my assigned tasks professionally. Now an ever looming plague hangs over the state worker, one which changed the retirement system from a career path to no incentive to stay in government service. For those that have dedicated a significant part of their working career to state service, the threat of reduced benefits and poor medical is becoming a greater reality. SB 141 may have survived the last minute flurry of legislative folly last May, but the laugh and history will be on those who voted it in when state government sees a mass exodus of skilled employees during impending retirements and hiring of gas pipeline workers. We are already seeing a huge difference in skill level between those we are hiring and those who are leaving. Newer, younger, environmental staff are not staying, but instead leaving for higher paying jobs which required the 1-2 year's of experience they just got from us. While funding state government in the future is a concern, have trained, qualified professional workers to operate state government must take high priority al so. [...]

Content analysis details: (1.10 points, 5 required)  
VERY\_SUSP\_RECIPS (1.1 points) Very similar addresses in recipient list

Honored Representatives, I am taking the time to ask you to consider dropping benefits 475 and supporting Senator Elton's SB293 which would allow you more time to consider the ramifications of tinkering with a fix for PERS and TERS pensions. I understand your attention has been focused on the oil and gas initiatives and the provision of HB475 have not been finalized for your or public review. This does not lead to good decision making and definitely does not allow for a government of the people. As a 20 year plus employee of the state I am concerned where the promised retirement system is heading. As an engineer who could have made much better money outside of state government, I believe I entered into a binding contract with the state. I stayed and worked long hour for less than adequate pay, trained my industry counterparts on how the job really was to be done, served the public, and performed my assigned tasks professionally. Now an ever looming plague hangs over the state worker, one which changed the retirement system from a career path to no incentive to stay in government service. For those that have dedicated a significant part of their working career to state service, the threat of reduced benefits and poor medical is becoming a greater reality. SB 141 may have survived the last minute flurry of legislative folly last May, but the laugh and history will be on those who voted it in when state government sees a mass exodus of skilled employees during impending retirements and hiring of gas pipeline workers. We are already seeing a huge difference in skill level between those we are hiring and those who are leaving. Newer, younger, environmental staff are not staying, but instead leaving for higher paying jobs which required the 1-2 year's of experience they just got from us. While funding state government in the future is a concern, have trained, qualified professional workers to operate state government must take high priority al so.

So yours is not an easy task. The national health care crisis is killing out retirement medical ..... but shooting the retirees is not the answer. In planning for your retirement you, like I put money aside for the future, yet many are considering not putting some of the oil dollar windfall into the retirement system. It's that type thinking in the past that has gotten us to where we are today. We have a system which lets small retirement programs qualify under PERS even when they do not pay their share ... and this becomes an emergency for the retiree how? I agree the system has flaws that need to be fixed and starting with more competent state leadership is the first place I'd look. .... not with the worker who worked to keep his or her head barely above water

for 25 years. Reward them for their good work, not highlight why government service is the last place to work.

## 1.

**Post Retirement Pension Adjustment****The Issue-**

The SB141 Problem has led to many new members. All want to know if their pensions will be inflation proofed after they are 80 or retired 5 years. The confusion is with the language in an amendment which precluded the administrator from acting upon inflation proofing if the retirement funds were not at 105% funding. The second confusion was the misinformation regarding whether this applied to current plan members.

This is a record of the dialogue from and as a result of our meeting with Senator Wilken on Feb. 22, 2006, his response, and our follow up fact finding with Retirement and Benefits. We respectfully thank Senator Wilken in assisting us. Representative Guttenberg and Representative Holm were also visited.

Sen. Seekings could not see us despite the fact we had an appointment. Rep. Ramras was in Oil and Gas business, and Representative Kelly said he was unavailable.

**The Law-**

Sec. 18, AS 14.25 143(a), as that subsection read following amendment by sec. 3, ch. 146, SLA 1980, until amended by sec. 12, ch. 106, SLA 1988, is amended to read:

(a) When the administrator determines that the cost of living has increased and that the financial condition of the retirement fund permits, the administrator shall increase benefit payments to persons receiving benefits under this plan. For purposes of this subsection, the financial condition of the fund would only permit an increase in benefits when the ratio of total fund assets to the accrued liability meets or exceeds 105 percent. In this subsection, "accrued liability" means the present value of all member benefits accrued by member service in this plan [SYSTEM].

**Fact Finding-****1. Information supplied to our RPEA member by R+B on 1-4-06:**

To R+B: Thank you very much for your speedy reply. I'm familiar with the site you suggested; my interest is in how PRPA and other retirement benefits will be affected when SB141 goes into effect on July 1 of this year. Thanks again, our RPEA member--

R+B Reply: SB 141 will not affect you at all. This bill affects only newly hired members joining the system after July 1, 2006.

**2. Our Visit to Senator Wilken at 1PM, 2-22-06. Doris Robbins, Judith Strohmaier, and myself-**

To Sen. Wilken: "you said at our 12-17 AARP-Teacher's meeting that our retiree benefits were not changing, but then you informed us the fund had to be 105% funded to be inflation proofed that was why so many people were upset about the situation"

Senator Wilken replied: "This is not true. Your benefits are inflation proof". He was told this at the Finance Committee table that "retiree benefits were inflation proofed." We explained the confusion about the 105% amendment. He would look into it with Senator Stedman and Retirement and Benefits.

So this is the answer- from Sen. Wilken according to Sen. Stedman.

2.

Senator Wilken's reply by E-Mail on 2-24-06---

Hello Mr. Gallagher and Mrs. Robbins:

I checked with Senator Stedman. Your pension payments under Tier 1, 2, and 3, are adjusted (after age 59 or 5 (PERS) / 8 (TRS) years of retirement) for inflation through either an "ad hoc" (Tier 1 only) or an "automatic" method of adjustment.

The method is a function of the funding level, but one way or the other, the protection exists:

For clarification or verification, please call Dept. of Retirement Benefits, Ms. Kathy Lea (465-3226).

I hope this helps a bit. Thanks for spending your time with me.

Keep an eye on the ARM Board.

Gary Wilken

Phone Call to Ms. Kathy Lea at Retirement and Benefits on 3-1-06---

This is a copy of the E-mail I sent to Doris Robbins

Doris: Per Sen. Wilken I called Kathy Lea at R + B. 465 3226. I asked her for clarification:

1. Automatic inflation proofing still continues as before at 50% of the Anchorage cpi for all three tiers until 65 and 75% after 65.

2. There is an Ad Hoc provision for tier 1 to get 100% of the Anchorage cpi, if the Commissioner requests it. However SB141 now defines that the fund must be 105% in order for the Commissioner to even consider the 100% "Ad Hoc" inflation proofing.

Unless the funds are at 105% of funding there is no way under current circumstances for tier 1 to get 100% inflation proofing. Legislature refusal to fund the alleged shortfall precludes any opportunity for 100% inflation proofing.

**The Handbook**— Every Tier One retiree was promised their retirement would be inflation proofed. It was set in law. Other pensions such as Social Security are fully inflation proofed. These former employees are subject to substantially reduced Social Security. There is a reliance on Government to keep its promises.

**Discussion of the Consequences**—

**Diminishment**- Sen. Gary Wilken's statement that there was no "change" is his belief. It is quite apparent from his strong statements to us at the Noel Wien library in December and in person on February 22<sup>nd</sup> he was told there was no diminishment. His E-mail re-defines his assumption to now include "while this is a function of the funding level" points out an epiphany of understatement.

There is a strong presumption that Sen. Wilken and many others did not understand the effect of the 105% amendment buried in this bill. After all he had to go back to Stedman for interpretation. For Tier 1 clearly there is a diminishment. While it depended upon the request of a Commissioner, after SB 141 is in effect the Commissioner cannot even elect the Ad hoc PRPA unless the fund is determined to be 105% funded.

3.

Example- If one is receiving a \$20000.00/ year PERS or TRS retirement, one will at least get inflation proofing at 50% at 60 and 75% at 65. Without the Ad hoc 100% and assuming one is 60, at a 3.5%\* inflation rate over 30 years your \$20000.00 will be worth about 65% or \$13,000.00/ year in current buying power. With the Ad Hoc it could be worth \$20000.00 as long as a Commissioner chose to exercise the PRPA provision consistently. SB141 passage definitely diminishes Tier I.

Ms. Lea stated this is something she explains frequently to retirees.

\* This is assumed slightly high, but pragmatic given the current U.S. debt structure due to war and the current application of Keynesian economic tax structure:

Flaw in reasoning- The 105% requirement places the burden upon the most senior retirees. Society does not expect persons in their high seventies and eighties to return to work to replace what they were promised and lost. The law informed them they were to be inflation proofed.

The insertion of 105% is most cynical in its very nature. By the nature of the 105% amendment it places the burden of the current under fund of the PERS/TRS Trust upon innocent and vulnerable people because of the years for it to take effect.

The law makers who are responsible will not be forgotten; however it is quite apparent that many did not know the full effect of the 105% amendment upon senior retirees.

Between 1997 and by 2002 my limited records indicate the ad hoc provision protected retired state employees from the erosion of a total about 15% of their annual pension income. A retiring employee at age 60 can expect to lose 30% of their pension by the time they are 80.

I strongly suggest you amend this assault upon them through this insidious but very real diminishment.

Request and Resolution— Please restore the former status of AS 14.25.143 (a) in HB 175.

Charles H Gallagher

P.O. Box 42

Estes Alaska 99725

cgallagher@Alaska.net

(907) 479 2664

*Doris Robbins  
3763 Mitchell Avenue #B  
Fairbanks AK 99709-4636*

*(907) 374-0597  
drobbins@gci.net*

March 6, 2006

RE: HB 475 and Related Issues

Representative Seaton and House State Affairs Members,

I am greatly concerned at the need for such legislation as HB 475. Except for the foresight of some concerned legislators who voted to delay implementation near the end of session last year, we would now be trying to run state government according to SB 141. Why was due care not taken before passing SB 141? Was there no analysis done of this legislation before it passed? Did anyone do any research into why some states that had switched to the Defined Contribution system decide to go back to a Defined Benefit system? I have read some statements that Defined Contribution systems cost so much to run that there were no savings by changing from the Defined Benefit system.

If SB 141 were now in force our whole mechanism for operating state government would be in trouble. Since it does not meet IRS regulations, would it also have jeopardized federal funding which is so important to Alaska as well?

Legislators have insisted that pre SB 141 retirees would stand to lose none of their retirement benefits, stating that retirees were "bulletproof." That was the terminology used. When asked to confirm the meaning of the phrase in SB 141 which states that "the financial condition of the fund would only permit an increase in benefits when the ratio of total fund assets to the accrued liability meets or exceeds 105 percent," it was learned that those in the old system are indeed affected. This makes it seem clear that retirees will no longer have any inflation proofing and the retirement benefits of PERS/TRS retirees would steadily lose value over the years.

For the above reasons, I ask that you take more time to work on problems and pass

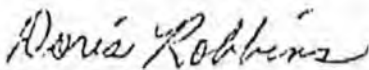
legislation such as Senator Kim Elton's SB 293. This would postpone implementation until July 1, 2008, and allow time to work carefully and be certain that SB 141 meets all regulations and does not affect previous constitutionally guaranteed benefits or cause federal legal problems.

What I am observing is that the whole legislature is focused on oil and tax legislation, with good reason. We sure don't want mistakes with oil and gas legislation as it would be even more difficult to make corrections when dealing with corporate giants.

I fear that HB 475 will only compound present problems. Changes by HB 475 must be assured not to conflict in some unknown manner, creating even more problems with SB 141. In addition, it seems foolish to rush to pass more legislation affecting the retirement system until the new actuarial reports are in and have been analyzed to confirm the real status of the current system. How can you know contribution rates are accurate?

Please consider your actions and do not compound the current errors in SB 141 with new, unanalyzed changes which are made in haste without the benefit of the full data from the new actuarial report which only becomes available after session end.

Sincerely,

  
Doris Robbins

PERS/TRS Retiree  
Retired Public Employees of Alaska  
Legislative Committee Chair

cc: Representative Gatto  
Representative Elkins  
Representative Lynn  
Representative Ramras  
Representative Gardner  
Representative Gruenberg

**Louie Flora**

---

**From:** POMS@legis.state.ak.us  
**Sent:** Monday, March 06, 2006 10:03 PM  
**To:** Louie Flora  
**Subject:** New Pom:HB 475 Pub Employee & Teacher Retirement & Sbs

Darwin Walter Jr  
2330 Scarborough Dr  
  
Anchorage 99504-3352,

Please do not pass HB 475. The implementation of SB 141 needs to be delayed (2 yrs. re: SB 293) until it is appropriately re-drafted to respond to new information and more thoughtful consideration of its long term consequences.

Louie Flora

---

From: POMS@legis.state.ak.us  
Sent: Monday, March 06, 2006 8:21 PM  
To: Louie Flora  
Subject: New Pom:Retirement

David Conway  
9056 Ninnis Dr

Juneau 99801-8770, David F. Conway  
dave.conway@uas.alaska.edu  
907-465-6496  
907-789-9737

Please drop HB 175 PERS/TERS Fix Bill, and move SB 293 Delaying implementation of SB 141 for two more years.

To the Senate ...please schedule SB 293.

More thought is needed on SB 141 and shouldn't be rushed.

HB 475 full content isn't available yet...no time to digest.



# Alaska State Legislature

Please enter into the record my testimony to the House Finance Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

*Please reconsider and postpone a decision on the implementation of (SB #141) until July of 2008.*

*Continue public hearings, serious investigations including all groups that will be impacted. There needs to be across the board planning that will be of mutual benefit to all groups of State and Public employees.*

Signed: Margaret Bouyou  
Testifier

Phyllis  
Representing (Optional)

P.O. box 874377, Wasilla, Alaska 99687  
Address

907-376-6927  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

<sup>Amend and</sup>  
Please delay the implementation of Senate Bill 441 until 2008. The bill is short-sighted and undermines the retirement of all state employees. Think of the future of these retirees.

Signed: Virginia Lawton  
Testifier

Representing (Optional)  
549 E. Caribou Ave. Palmer, AK 99645  
Address

745-4917  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

Please delay Senate Bill #141  
Please use \$\$ allocations properly  
(from oil revenues)

Please throw everything out till  
2008 and then start over with  
something that makes sense

Signed: Wendy Cole  
Testifier

Representing (Optional)  
3770 RUTH DR. WASILLA, AK 99654

Address  
907-376-4170  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
 Committee name  
 Committee on HB 475 Retirement, dated April 18, 2006  
 Bill/Subject

Public employees need to know their retirement is secure. Please amend and postpone enacting SB 141 until July 2008. This allows time for research into a more equitable retirement system.

Signed: Cynthia Jacobs  
 Testifier

Representing (Optional)  
4585 N. Almaden Dr. Palmer, AK  
 Address 99645  
907-745-7139  
 Phone number

Signed: EVA PARSONS  
 Testifier

Representing (Optional)  
P.O. Box 874351  
 Address  
907-357-9728  
 Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
 Committee name  
 Committee on HB 475 Retirement, dated April 18, 2006  
 Bill/Subject

HB 475 a clean-up bill? Give me a break! A bill with 60-80 amendments of its own so not a bill; it's a joke. Bury this bill, bury SB141, and support SB 293 so we have a chance to look at the PERS/TRS systems and derive a solution that will bring teachers to Alaska - not chase them away. Right now we have oil at \$70 a barrel and over \$4 Billion in the P-Fund more than we had pre 9/11. We even have an enormous fund surplus.

It being short-sighted and ruining Alaska's future. Lead, follow, or get the hell out of the way.

Signed: Dewayne E. Joehnk  
 Testifier

Representing (Optional)

320 E. Eagle Avenue, Palmer, AK 99645

Address

(907) 746-0254

Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

Please ~~cancel~~ postpone and amend implementation  
of ~~SB 141~~ until July 2008.  
SB 141

Please wait until you have more information -  
We need to recruit & retain our employees - these  
amendments will encourage short-term employment  
possibilities -

Signed: Suzanne Benson  
Testifier

Representing (Optional): \_\_\_\_\_

1050 Onyx Circle Wasilla AK 99654  
Address

373-7176  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

Please support House Bill 475 to amend and delay implementation of Senate Bill 141 until July of 2008. As public officials you are bound to hear, listen to, and act according to the people who elected you. Listen to the public, listen to teachers and the people who keep our society.

Signed: Jill Hunter  
Legislator

Self  
Representing (Optional)

P.O. Box 873438 Wasilla Alaska 99687  
Address

907. 373. 4177  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

*It is despicable that some in the legislature hold the funding of the education of our children hostage in trying to force a non-compliance of the constitutionally mandated funding of public employee's retirement.*

*Please use more wisdom and logic in your work. Pass HB 475 to amend and delay implementation of SB 141 until July '08 so that you all can get all the correct data*

Signed: EVA PARSONS  
Testifier

Representing (Optional)

P.O. Box 874351  
Address

907-357-9728  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

Please! If you could delay the implementation of SB141 until July 2008, it would give some TIME for our union to have input and hopefully come up with a BETTER OPTION.

Education has to be a bigger priority in our state, and must be protected + supported.

Signed: Alison Woodings  
Testifier

Representing (Optional)

2180 Kaye Marie Dr.  
Address

745-2549  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

Please delay implementation of Senate Bill 141  
until 2008 and amend it - Support  
HB 475 - you haven't heard enough to know  
what the negative effects will be. We must  
further examine these plans and replace them  
with a decent retirement system - we feel  
that this Bill was forced upon legislators.  
This is not the way to recruit and  
maintain a stable work force.

Signed: Jan Desnoyers  
Testifier

Representing (Optional)  
PO Box 2161, Palmer, AK 99645  
Address  
907-745-4986  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the HOUSE FINANCE  
Committee name

Committee on HB 475 RETIREMENT, dated APRIL 19, 2006  
Bill/Subject

PLEASE DELAY IMPLEMENTATION OF  
SB 141 UNTIL JULY 2008. SB141 NEEDS  
MORE WORK AND MUCH MORE DELIBERATION  
THIS BILL CANNOT BE RUSHED THROUGH.  
SLOW DOWN THE PROCESS, TAKE MORE  
INPUT AND LISTEN TO THE THOUSANDS  
OF EMPLOYEES WHO ARE THE STAKEHOLDERS.

Signed: Kathleen J. Summers  
Testifier

Mat - su Education Association  
Representing (Optional)

P.O. BOX 874950 WASILLA, AK 99687  
Address

573-5204  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

*Please delay <sup>implementation</sup> ~~passage~~ of SB141  
until ~~a more concise plan~~  
July 2008  
~~can be developed.~~*

Signed: WEDRA OLSON Nekra Olson  
Testifier

Representing (Optional)  
900 SNOWHILL WASILLA, AK 99687  
Address  
376-2116  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

**\* PLEASE SUPPORT AN AMMENDMENT TO HB475 TO CLEAN UP THE RETIREMENT PLAN. ANY DELAY SO OTHER OPTIONS ARE LOOKED INTO WILL HELP US ALL.**

Signed: Kathleen R. Jones  
Testifier

Representing (Optional)  
P.O. BOX 875910-253 WASILLA, AK  
Address  
745-4624  
Phone number 99687



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

I would like you to support Beth  
K. Hill's amendment to delay implementation  
of Senate Bill 141 until July 2008 so that  
there can be further review.

Thank you

Signed: Gaith Hundley  
Testifier

Representing (Optional)  
PO Box 2772 Palmer, AK (Clark Volume Rd)  
Address

Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

Please delay implementing Senate Bill 141 to July 2008. Please support a retirement system that would prosper for public employees and not bankrupt the system for future teacher + public employees. Therefore, preventing a mass exodus of qualified employees and people contributing to our state's economy.

Signed: Miranda Wilson  
Testifier

NEA MSEA  
Representing (Optional)

Address  
761-4118  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

To whom it may concern: Please consider and accept HB 475. I feel that it will help amend and delay SB 141. This is too big of an issue that will affect current & future retirees.

Signed: Michael M. Ripke  
Testifier

Representing (Optional)  
PO Box 3886 Palmer, AK 99645  
Address

746-4553  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

Honorable Legislators,

I am requesting you to delay<sup>implementation of</sup> SB 141 for two years, while the errors and violations in it are remedied.

I want a fair form of retirement so that I may ~~retire~~ retire with dignity. I want a secure pension, with medical and disability care needs guaranteed till I die, with cost of living increases, so that I may not be a burden on the state.

Signed: Linda Storde  
Testifier

Representing (Optional)  
8833 July Creek Circle Eagle River AK 99577  
Address  
907-696-3258  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

Please delay the implementation of SB141 until July 2008. Please support Beth Kertulla's amendment to the bill. Take the time to make the retirement system work for both the state and the public employees. Both deserve to have a retirement system that works for everyone.

Signed:

P. J. Stahl  
Testifier

Pamela J. Stahl

Representing (Optional)

4600 E. Crowberry Drive Wasilla AK 99654  
Address

376-3675  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

Please delay implementation of §B141 until July 2008. Please support Beth Kertulla's amendment to the bill. Take the time to make the retirement system work for both the state and the public employees. Both deserve to have a retirement system that works for everyone.

Signed: Sherayl L. Scott Sherayl L. Scott  
Testifier

Representing (Optional)

740 Coville Cir Palmer, AK 99645  
Address

907-745-5922  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

Please support Sen. Kotulla's amendment to HB 475. ~~SB 141~~ needs to be changed so please delay implementation of this bill. Public Employees need to have a defined pension/benefit. Please don't destroy the defined benefit plan.

Signed: Deborah Mector Deborah Mector  
Testifier

Representing (Optional)  
326 N. Bailey St Palmer Alaska 99645  
Address  
(907) 745-4770  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

*Please delay Senate Bill 1411 for two years to allow time to provide a quality, competitive retirement plan for public sector employees. Alaska must have a system that attracts quality educators and other public employees to our state.*

Signed: *Samuel Wood*  
Testifier

Representing (Optional)  
10383 Eagle River Ln, Eagle River AK 99577  
Address

Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement dated April 18, 2006  
Bill/Subject

Please support an ammendment  
to delay implementation of SB141  
for 2 years in order to take the  
time needed to provide retirement  
@ shanty!

Signed: Julie Rose  
Testifier  
1980 N. Midtown Dr.  
Representing (Optional)  
Palmer AK 99675  
Address  
907-745-7761  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

Please delay implementation of SB141, please support Representative Kertula's amendment.

Signed Elizabeth Crawley (Elizabeth Crawley) Elizabeth Crawley  
Testifier

Representing (Optional)

P.O. Box 2593 Palmer AK 99615  
Address

(907) 746-3408  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

Please delay implementation of Senate Bill 141. Please support the amendment of Ms. Kertula to delay until 2008. Public employees deserve a retirement that will work for all.

Signed: Jane McDiven  
Testifier

Representing (Optional)  
P.O. Box 4867 Palmer, Ak 99645  
Address

761-4119  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

HB 475. Please consider amending and accelerating  
the implementation of the bill SB#141  
initial July 2008.

Sincerely,

Signed: Cassi Lulich  
Testifier

None  
Representing (Optional)

2757 East Inupiat Road, Wasilla AK 99654  
Address

376-4731  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

*I am very concerned that passage of this legislation is hasty. Please seriously consider delaying the implementation of SB 141*

Signed: *Lincoln S. Heller*  
Testifier

Representing (Optional)  
675 W. Briar Dr, Wasilla, AK 99654  
Address  
907-376-5119  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

Please - HB 475:

Amend and delay implementation  
of SB141 until July 2008

Thank you

Signed: Krista Klever  
Testifier

Representing (Optional)  
20501 E Tampara St Palmer, AK 99645  
Address

907-746-2472  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

*Please delay this bill until 2008*

Signed: Linda Derewenko  
Testifier

Representing (Optional)

1491 Catalina Dr Wasilla  
Address

907-326-6213  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance Committee name

Committee on HB 475 Retirement, dated April 18, 2006

Bill/Subject Please amend HB 475 regarding SB 141.

Please reconsider to delay implementing SB 141 until July 2008. With a budget surplus of \$1.4 Billion dollars, why is this budget issue even being considered? Why does the state not return ~~to~~<sup>to</sup> fulfilling the Alaska Constitutional mandate of fully funding the State of Alaska Pension funds with the original 1/3 funding formula from the state would quickly correct this budgeting error

Signed: Daniel F. Davis Testifier

self  
Representing (Optional)

1660 Catalina Dr. Wasilla, AK 99654  
Address

907-37-7737  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

hb475

Please amend and delay implementation of h.b. 141 until 2008. I suspect the bill is dangerously short-sighted.

- or throw it all out until you have figured out a mutually beneficial plan and have studied effects of new legislation.

Signed: Mary Kay Flynn  
Testifier

Myself  
Representing (Optional)

550 W. Coville Lane, Palmer, AK 99645  
Address

745-4588  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

Please delay the implementation of SB 141 until July 2008, it would give some time for our union to have input and hopefully come up with a BETTER OPTION.

Education needs to be a bigger priority in our state.

Signed:

Quinn Morris

Testifier

Representing (Optional)

950 Switzer Bay Rd. Wasilla, AK 99653

Address

(907) 376-4549

Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

Please amend and delay  
 ↓ ↓  
 implementing hb 475 and Sb 141  
 until 2008!

Sb141 was put through in a  
 rush last year and was short-sighted  
 at the very least!

Signed: Fred L. Steer  
Testifier

myself  
Representing (Optional)

14660 E. Gunnysack Rd. Palmer, AK  
Address

746-2199  
Phone number

1101 Elsinore Way #3 Wasilla AK 99654  
Address

907-376-4062  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

*Delay Senate Bill 141.*

Signed: Stacy Sprague  
Testifier

Representing (Optional)

2961 Ravens Flight Dr.  
Address

Wasilla, AK 99654  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
 Committee name  
 Committee on HB 475 Retirement, dated April 18, 2006  
 Bill/Subject

*Please reconsider and postpone  
 a decision on (SB #141) until July of  
 or implementation of  
 2008.*

*There needs to be some serious  
 investigation and planning that  
 will be mutually beneficial  
 for Both the State & Public  
 employees.*

Signed:

*Gina Auldridge*  
 Verifier

*Myself*  
 Representing (Optional)

*P.O. Box 872431 Prusilla AK 99687*  
 Address

*907-857-6763*  
 Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance Committee name

Committee on HB 475 Retirement Bill/Subject, dated April 18, 2006

*Consider & vote to delay implementation of Senate Bill 141 for 2 years  
Thank you*

Signed: *Sara J. Amundson*  
Testifier

Representing (Optional)  
5950 E. Firweed Dr Wasilla AK 99687  
Address  
907-376-2913  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

Please delay consideration of this bill until 2008 so that other options can be explored. It is my sincere belief that the current proposal will be devastating to Alaska's educational system.

Signed: David A. Stoddard Danielle Stoddard  
Testifier

Representing (Optional)  
3642 E. Wanamingo Dr. Wasilla  
Address

907-376-1036  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

Please delay the implementation of this bill  
until other options can be explored.

Signed: Debrah R. Kemp Debrah Kemp  
Testifier

Representing (Optional)  
243 E. Huklet Apt #1 Palmer, AK 99645-  
Address  
(907) 354-6335  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

I'm strongly opposed to current SB 141. Assumptions that were made in support of this bill have not been proven to be accurate. will not solve the retirement liability problem. HR 475 needs to address the need for extra time to review different options to a defined benefit retirement plan for public employees instead of creating a defined contribution plan.

Signed: Joe R. Irvine Joe R. Irvine  
Testifier

Palmer High Teacher  
Representing (Optional)

P.O. Box 139 Palmer, AK 99645  
Address

745-2213  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

I would like you to delay implementation of HB475 (SB141) for at least 2 years. This will provide the time for sincere and in-depth research to "tweak" our public retirement system to make it cost effective. HB475 will cost the state more than the present system. The present system does need work, but HB475 in its present form will adversely affect over 100,000 Alaskans in the public sector, as well as all Alaskans, monetarily. Thank you.

Signed: Jennifer L. Dalby Jennifer L. Dalby  
Testifier

Representing (Optional)

PO Box 1431, Palmer, AK 99645  
Address

907-745-0193  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

Repeal the law or delay the  
implementation for another 2 years  
to do some work on it.

Signed: Margot Henderson  
Testifier

Teacher  
Representing (Optional)

Falmer 16839 Yellowstone Drive  
Address High School Eagle River, AK 99577  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement dated April 18, 2006  
Bill/Subject

Please consider and vote  
to delay for two years SB141 or  
replace SB 141 with a  
plan that provides a retirement  
with dignity for public  
employees.

Signed: Kim C. Bay Kim Bay  
Testifier

Representing (Optional)  
PO BOX 1015 Wasilla Palmer AK 99645  
Address  
907 376-5807  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

I would like to and want you to  
Repeal, vote down or at least delay  
The implementation of SB 141!

~~So~~ So I support an amendment  
to HB 475 that delays implementation  
of SB 141! This is bad for education,  
kids, and our communities!

Signed: Gregory D. Fullmer — Gregory D. Fullmer  
Testified

Representing (Optional)

1100 Hecker Dr. Palmer, AK. 99645

Address

907-745-2646

Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement dated April 18, 2006

Dear Honorable Sirs: <sup>Bill/Subject</sup> I support an amendment to HB 475 that will delay implementation of SB 141.

As a lifetime resident of the State of Alaska, please enter my comments into the public record, I have swept sidewalks, cleaned homes, served you in restaurants, maintained your safety as Airline Personnel, sold you cars and trucks, commercially fished for your food, sold you clothes in retail and now I represent you as a teacher in the state of Alaska. I have held many jobs but teaching is what I love. I teach children in Palmer High School. I have taught children in Mountain Village, Pilot Station, Anchorage, Houston (AK), and Palmer. I can't have my full social security from my prior employer (before teaching) ~~and now~~ due to GPO and WEP. Now you are taking away all I have left - my Teacher's Retirement. I can't live on what you will leave me with; thus I will have to leave the state. At retirement age my son will be college aged. I'm also a

Signed: Donna M. Hickle be college aged. I'm also a  
Testifier Single mom.

Donna H. Hickle Matanuska-Susitna Borough School District  
Representing (Optional) Teacher

1580 Pipestone Drive, Wasilla, AK 99654  
Address

(907) 376-1043  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

For the sake of public education in Alaska, I urge you to delay the implementation of SB141 by two years or repeal it in its entirety! The system of Retirement will not stop losing \$ w/SB141. Give the TRS/PERS Board time to look at Hybrid plans that could fix the system. IF SB141 passes, Alaska will cease to attract Quality Teachers + peace officers!

Signed: William J. Siedler  
Testifier

Representing (Optional)  
2872 N. Woodfield Dr, Wasilla, AK 99654  
Address

907-357-1285  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

SB141 is a flawed bill that does not solve the current problem of inaction and under funding by the legislature. This bill only exacerbates the current funding short fall. SB141 should be repealed immediately.

Signed: Steve Cook  
Testifier

Palmer  
Representing (Optional)

9731 ST. LAWRENCE CR. EAGLE RIVER AK 99577  
Address

694-7528  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

I urge you to delay implementation of HB 475 for two more years to allow time for a reasonable and more cost-effective solution to Public Retirement System problems to be reached.

Please support Beth Kertula's amendment to HB 475.

*Paul Morley*

Signed:

Testifier

State of Alaska teachers, other public employees, and state  
Representing (Optional)

Address

P.O. Box 3893, Palmer AK 99645

Phone number

(907) 746-3768



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

I would like to ask you to repeal SB 141, or at the very least, vote for the amendment to delay implementation of SB 141 for two years. SB 141 will cost the state more money and is bad for education all the way around.

Signed: Francine Long  
Testifier

Representing (Optional)  
15486 E Mothershead Lane Palmer, AK 99645  
Address  
907-745-7120  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement dated April 18, 2006  
Bill/Subject

Please delay implementation of this bill. It does regard as  
watts, cuts more <sup>than the existing system</sup> and will tend to degrade public service in Alaska.  
A 2-year delay, and subsequent review of the plan will hurt  
nothing and could do tremendous good for Alaska. It would be  
best if this bill is repealed immediately, and mayb the Administrations  
that has tried to force the bill through have not enough credibility  
for an immediate repeal.

The loss of pens and TRS will devastate  
10's of thousands of hardworking public employees. It will  
eliminate a large pool of capital from the state, and end  
up costing the ~~the~~ state in every thing touched by the bill

Signed: (Andrew Fournier)  
Testime.

Representing (Optional)  
735 Winter Ave, Wasilla, AK  
Address

907 377 1373  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement dated April 18, 2006  
Bill/Subject

Please delay ~~the~~ ~~the~~ implementation of this bill. (SB 141)  
There needs to be further research on the  
retirement needs of all the employees current and  
future. Don't let yourself (legislatures) be swayed  
by our current federal administration. Make  
the appropriate ~~the~~ decisions for the people  
You represent.

Signed: Kevin Vig Kevin Vig  
Testifier

Representing (Optional)  
2300 Laurel Dr. Palmer AK  
Address  
907 745-8834  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
 Committee name  
 Committee on HB 475 Retirement, dated April 18, 2006  
 Bill/Subject:

*Please note to delay implementation of Senate Bill 141. Please allow appropriate consideration and development of a plan that would not be as ineffective and detrimental for our state.*

*Not only will over a 100,000 people be negatively affected but also the economy of the State of Alaska will be negatively impacted.*

Signed:

Marilyn E. Parker Marilyn E. Parker  
 Testifier

Representing (Optional)

5060 E. Fernwood Drive, Wasilla, AK 99654  
 Address

907-373-1099  
 Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

Please delay the implementation of SB 141 until new facts are brought forth on different retirement programs. The new program will force current & future teachers to look elsewhere. We need a retirement program that encourages recruits and keeps quality teachers. The new program does not do this. Please delay the implementation of SB 141, until new facts are brought forth. I support an amendment to HB 475 that delays SB 141

Signed: Russell Chofa Sidney Chofa  
Testifier

Representing (Optional)

12651 W. Arctic Ave.

Address

(907) 745-0316

Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

PLEASE SUPPORT KERTULA'S AMENDMENT TO  
DELAY SB 141 SO IT CAN BE FIXED.  
I ~~AM~~ A LIFE LONG RESIDENT OF AK., HAVE  
WORKED IN PUBLIC EDUCATION FOR 22 YRS.  
SB 141 HAS TOO MANY PROBLEMS AND THERE  
NEEDS TO BE SERIOUS WORK ON FIXING IT OR  
JUST THROWING IT OUT AND COMING UP WITH  
A NEW SOLUTION

Signed: *Kent Hermon* KENT HERMON  
Testifier

Representing (Optional)

16455 EAST MAVO ROAD, PALMER  
Address

745-4894  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

Postpone SB 141!! - More discussion is  
needed to find a better way. It can  
be done if you involve everyone who is  
affected. This Bill affects more than 100,000 people  
in the state of AK. Please support the Amendment  
to delay for 2 years.

Signed: Boyd R. Berg  
Testifier

Representing (Optional):  
855 So. Begich Dr. Wasilla, AK 99654

Address  
(907) 376-3726  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

*Please consider the amendment to delay implementation of SB 141 until there has been time to review.*

Signed: Ronald Thomson  
Testifier

Representing (Optional)  
P.O. Box 877324 Wasilla AK 99689  
Address

376-6176  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

~~Request Senate Bill #~~

Please

Delay for 2 years the  
implementation of SB 141  
until better consideration  
of retirement plans can be made.

Signed: Rod Christensen  
Testifier

Representing (Optional)

Palmer, AK 99645 12005 E. FENCE LINE DR  
Address

746-0938  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

*Please vote for the amendment to delay SB 141  
for two (2) years.*

*Thank you.*

Signed: *Sharon J. Johnson, Retiree*  
Testifier

Representing (Optional)  
*23 Stafford Terrace Brewster, ME 04831*  
Address

*508.395.4591*  
Phone number




# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

*Please delay implementation of  
HB 475 until serious consideration  
for a plan that is cost effective  
can be developed.*

Signed:  Susan Dent  
Testifier

Representing (Optional)

HC 36 Box 2884, Wasilla, AK 99654  
Address

907-373-7398  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

Please vote in favor of Beth Kertulla's amendment to repeal or at least delay SB141.

Please repeal SB141 until at least July 2008 to allow adequate discussion for TRS/PEES. 100,000 people will be effected by SB141 if it continues.

The economy of the State will be adversely effected by implementation of SB141. (Housing, public safety...)

Signed: Debra K. Bohm  
Testifier

Representing (Optional)

PO Box 3165, Palmer, AK 99445  
Address

907-745-4476  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

Please delay SB141 for two years, until 2008 to provide the opportunity to research alternative plans, or hybrid plans in order to "fix" the existing plan.

Signed: Sharon B Johnson  
Testifier

Representing (Optional)  
~~#70 WA Ar~~ 2460 N. Barris Road  
Address Wasilla, AK 99654  
745 5180  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
 Committee name  
 Committee on HB 475 Retirement, dated April 18, 2006  
 Bill/Subject

Please vote to repeal SB 141 until there has been thorough discussion and complete understanding about the adverse effects on the IRS Code, on a population - over 1M, 000 people in TRS/PERS, and in our State and Communities.

Please manifest that your collective intelligence will know the right thing to do, for the right reasons, in the right way. HB 475, its 80 amendments, and continued discussion are a start. Please delay until you get it right.

Signed:

Valerie B. Koivunen

Testifier

Representing (Optional)

351 W Swanson Hwy Wasilla AK 99654

Address

(907) 376-5326

Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

*Please delay implementation of Senate  
bill 141, to allow time to explore options that  
will allow dedicated educators to retire with some  
future security.*

Signed: *Hope Emma Clay*  
Testifier

Representing (Optional)

HC05 BOX 6765A PALMER AK 99645  
Address

746-7059  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance Committee name  
 Commit: HB 475 Retirement, dated April 18, 2006  
 Bill/Subject

*Please delay implementation of SB 141. It is too costly & poorly written. Amendments need to be clarified*

Signed: Neil Long Testifier  
 \_\_\_\_\_  
 Representing (Optional)  
3432 Naomi, Wasilla, AK 99654 Address  
907-373-5106 Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

Please delay SB 141 until 2008.

The directive was poorly written and from the research it seems like it will end up costing the state and employees even more than the original TRS/PRS pension plan. You need the delay to explore other options and develop a better plan for all individuals involved.

Signed: Kevin Hartman  
Testifier

Representing (Optional)  
HC 33 Box 31774 Wasilla, AK  
Address

376-6231  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

Please  consider the ammendments contained in HB 475 that relate to SB 111. More time and consideration needs to be taken to explore a better retirement system for teachers. Thank you.

Signed: Hannah N. Espenson  
Testifier

Representing (Optional)

P.O. Box 875105 / 222 N. Meadow Lakes Loop  
Address Wasilla, AK 99687

(907) 232-2774  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

Please delay the implementation of SB 141 to give time to consider costs and other options. SB 141 will be too costly, and we need to find something effective long term. that will be

Signed: Michele Komulos  
Testifier

Representing (Optional)  
HC 35 Box 5355 2X Wasilla, AK 99654  
Address  
(907) 373-6256  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

Please delay the implementation of SB 141 which will give time to explore options.

Signed: Louise Ralston  
Testifier

Representing (Optional)

1115 N. Troquois Wasilla, AK 99654  
Address

357-1984  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

I recommend delaying the implementation of SB141 to provide time to analyze all options.

Signed: Tracy A. Collum  
Testifier

Mat-Sui School District  
Representing (Optional)

3408 N Arabian Ln Palmer  
Address

746-8043  
Phone number:



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

I encourage your support in delaying SB141 implementation. I would like the state to explore ~~options~~ to additional options.

Please delay implementation of SB141.

Signed: Laura Young-Campbell  
Testifier

Representing (Optional)  
PO BOX 871045 Wasilla AK 99687  
Address

376-2261  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

I recommend delaying Senate Bill 141 because it is too costly and poorly written. This would allow time for exploration of other options. I support the amendments to H.B. 475.

Signed: Alice Herschman  
Testifier

Representing (Optional)

P.O. Box 202  
Address

Palmer Ak. 99645 907-745-2071  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

Please, delay SB 141 to explore <sup>other</sup> options  
that are not so costly.

Signed: Carolyn A. Morrison  
Testifier

Representing (Optional)

P. O. BOX 874034 WASILLA, AK 99687  
Address

357-7084  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

Please reconsider ~~SB 141~~ <sup>SB 141</sup>. We need a plan that will attract and retain new teachers. Alaska needs to allow public employees to retire, and be able to support themselves in the future. Please consider Kerttula's bill in the Senate. Delay implementation of SB 141!

Signed: Rachelle Bates *Rachelle Bates*  
Testifier

Representing (Optional)  
1200 Sands Dr Wasilla AK 99654  
Address  
373 0775  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
committee name

Committee on HB 362 Increase Base Student Allocation, dated 4-19-06  
bill # / subject public hearing date

I am a student at Homer High School in Alaska. I heard about this meeting and since our school is cutting its French and Art classes next year, I decided to write and inform you that our school needs those programs. It also needs more funding. The reason those classes are being cut (although you probably already know it) is because our school doesn't have the funding to support them. I happen to be a French student and as you can probably guess I am less than appreciative to French being dropped. Most colleges want at least 2 years of a foreign language, preferably more. This will be my second year in French, but I was planning on taking it all though high school, unfortunately it looks like I won't be doing that after all. Unless our school gets more funding so it can keep its programs many kids will be left hanging educationally. All I ask is that you inform whoever is in charge of the school funding that they need to give us more funding because we need it, and I'm sure our school isn't the only one.

Sincerely,

Rosanna H. a student just wondering what will be cut next

Signed: Rosanna Hunting  
Testifier

Representing (optional)

69075 Karen Ave Anchor Point AK 99556  
Address

907-235-8894  
Phone number

Louanne Christian

---

From: Bob Deitrick [deitrick@ptialaska.net]  
Sent: Tuesday, April 11, 2006 10:55 AM  
To: Louanne Christian  
Subject: HB475 Comments

Ms. Christian,

I was advised by Ginny Austerman that you would be the person to contact regarding my concerns about HB 141 and the bill, HB 475, attempting to bring HB 141 into compliance with the IRS code. My understanding is that there are already more than 50 amendments to HB 141 being proposed. Please distribute my message to the members of the House Finance Committee.

The implementation of HB 141 with the intended defined contribution plan causes me great concern. My understanding is that after 5 years a teacher could take their investment, as well as 100% of the district's contribution, and leave the state. Under this plan I believe that there is no commitment for folks to remain in Alaska and provide continuity to programs in our school districts. This is a major NEGATIVE IMPACT to our children and our communities.

I am a retired teacher, Tier 1, and when I started working in Alaska in 1975 the retirement plan was an incentive for me to stay in Alaska, commit to our children and our community. I do not see this happening under the defined contribution plan.

Alaskan school districts are working hard to implement the mandates of No Child Left Behind, Individuals with Disabilities Education Act, state school board policy, and state standards. It is a difficult task which needs experienced folks in order to implement the requirements, and to educate our youth. To continuously recruit and train new teachers in our state is costly, taking away funds that should be used in our classrooms. We need an incentive for folks to stay in Alaska.

When I was employed as a teacher in the Juneau School District, we had a very low turnover rate. It was difficult to get a job in Juneau. HB141 will not provide the needed incentive to stay. We will see a higher turnover rate and the trend is already starting. It is difficult to keep folks in Alaska even with the Tier 1 benefits. Incentives being offered in the "Lower 48" school districts are making it difficult for Alaska's school administrators to recruit educators to come to their districts.

I am very concerned about the recent number of job vacancies posted in my school district, especially in the area of special education.

I have a disabled grandchild who receives special education services.

I believe that for folks to be grounded in special education and provide services designed to educate special needs students, we need to have continuity of staff in special education, as well as in the regular classroom. Special needs students must have access to the general education curriculum in the least restrictive environment, with their non-disabled peers, and taught by regular classroom teachers who are experienced in providing accommodations and modifications in their curriculum/instruction.

HB 141 and the defined contribution plan will have a NEGATIVE impact on my grandchild's education!

I understand the concern regarding the "unfunded liability". I believe that we are not at the crisis stage at this point. There is a need to revise our defined contribution retirement plan.

I encourage your committee to amend HB 141 so that there will be a delay in implementation for 7 years. As Alaskans, we need time to address these issues and develop a sound plan that will provide an incentive for education personnel to remain in Alaska, as well as provide for a sound retirement plan.

Sincerely,

Robert Deitrick  
4421 Teel Court  
Juneau, Alaska 99801  
(907) 789-0951



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

I would like to support any amendment that would delay the implementation of SB 141. The legislature as a whole really needs to do an indepth study of this bill. As a retired teacher with friends in other states this bill will be a detriment to education in the state of Alaska.

I would not have considered a career in Alaska had ~~SB~~ <sup>SB 141</sup> been there in 1973.

Signed: Verla M Austin Verla M. Austin

Representing (Optional)

6451 Mosier Wasilla 99654  
Address

745-2001  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Com... on HB 475 Retirement, dated April 18, 2006  
Bill/Subject

*Delay SB 141 for 2 years to allow time to investigate the implications of a defined contribution system and explore options of a hybrid retirement system. The APM board has indicated that the new system is more expensive to administer and doesn't solve the funding liability.*

Signed: Carol S. Johnson  
Testifier

Representing (Optional)

H.C. 31, Box 5122 Wasilla AK 99654  
Address

(907) 357-9764  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 475 Retirement dated April 18, 2006  
Bill/Subject

The results of SB141 will affect all Alaskans for many generations. In addition to those specifically targeted, all Alaskans will be affected as the State reallocates funds to pay for the retirement program.

There are many reasons to reconsider actions taken in creating SB141, and I urge you to reread Tom Harvey's well-taken points (given in testimony April 12, 2006) - they elucidate the problems much better than I can here.

This issue is too important to leave to the pressures of some party platform, Republican or Democrat. It is too complicated for a simple fix. It requires that all parties and stakeholders have input and that all representatives know and understand the ramifications of this bill.

I therefore ask that you delay implementation of this bill for at least two years so that the necessary input ~~and~~ and deliberation can take place.

Signed: Maynard Perkins Professor Emeritus U.A.F.  
Testifier

Representing (Optional)

9331 Tem Dr. Palmer, AK 99645  
Address

907-745-2443  
Phone number