

SB

141

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Alaska State Legislature

Please enter into the record my testimony to the CS5B141
committee name

committee on SB141, dated 4/22/05
bill/subject

PLEASE SLOW DOWN -- why the rush!!
 we need time to READ the info/bill
 and digest it & understand it before
 it goes any further!

When so many are effected by this
 bill, we need "TIME" to give it
 the proper consideration.

Thank you for ^{your} consideration of
 this MATTER - It's "Very" IMPORTANT!

Signed: Judith Fite, Elem Teacher
Testifier Concerned Community Member & educator.

Representing (Optional)
P.O. Box 1232 Delta Jct, AK
Address 907-895-4060 99737
Phone No.



Alaska State Legislature

Please enter into the record my testimony to the _____

committee on PERS/TRS, dated 4/22/05
bill/subject retirement committee name

Do not pass the bill on TRS. More time is needed to fully appreciate the possible ramifications of this bill.

Signed: [Signature]
Testifier

Representing (Optional)
Box 1039 Delta AK 99737
Address
[Signature] 895-4774
Phone No.



Alaska State Legislature

Please enter into the record my testimony to the _____

committee on SB 141, dated 4/22/05
committee name
bill/subject

Dear Committee Members;

I am very concerned about the passage of SB141 and its effect on our state in Education. I've been a resident of this state for 36 years and have witnessed quite an erosion of state support for education. This only makes matters worse.

I fully encourage you to delay the passage of this bill until its effects can be more fully explored.

Signed: Patricia Kregel
Testifier

Representing (Optional)
PO Box 963
Address
907-895-5182
Phone No.



Alaska State Legislature

Please enter into the record my testimony to the CSSB 141
committee name
committee on SB 141, dated 4-22-05
bill/subject

Please take the time to work
on an acceptable solution.
I feel that this bill -
effecting so many people - has not
had adequate time for public
awareness and comment.
Thank you for your consideration.

Signed: Sheryl L. Mills
Testifier
State of Alaska Public School teacher, parent
Community member
Representing (Optional) 4912 Iamarac way
POB 433, Delta Jct.
Address
907-895-1948
Phone No.



Alaska State Legislature

Please enter into the record my testimony to the CSSB 141
committee name
 committee on SB 141, dated 4-22-05
bill/subject

Please don't change our retirement system in the way the bill 141 proposes. It is not fair to new employees and will not attract quality teachers to our state. As a current teacher, I'd like my pension to have a cost of living adjustment so I CAN retire!

Signed: Jamit Reiter
Testifier

Representing (Optional)

PO Box 1039 Delta AK 99737

Address

895-4774

Phone No.



Alaska State Legislature

Please enter into the record my testimony to the House of Finance
committee name
 committee on CSSB-141, dated 04.22.05.
bill/subject

Please, take more time to
 look through to decide on
 Retirement and Benefits plan.

Signed: Kulakovich
Testifier

Representing (Optional)
HC-60 Box 4430
Address
(907) 895-4785
Phone No.



Alaska State Legislature

Please enter into the record my testimony to the House Finance
committee name
 committee on SB141 TERS/PERS, dated 4-22-05
bill/subject

Don't act hastily! Please take time to review SB141 and give the public an opportunity to speak to the committee on issues concerning HB141.

Signed: Carolyn Gravel
Testifier

Representing (Optional)
P.O. Box 5 Delta, AK 99737
Address
(907) 895-2285
Phone No.



Alaska State Legislature

Please enter into the record my testimony to the House Finance
committee name
committee on S.B. 141 PERS/TERS, dated 4-22-05
bill/subject

Please take time to review the retirement system. Don't act until the public has an opportunity to address the bill!

Signed: Michelle R. LaDouceur-Barto
Testifier

Representing (Optional)
P.O. Box 905 Delta Jct, AK 99737
Address
907-895-4757
Phone No.



Alaska State Legislature

Please enter into the record my testimony to the HOUSE FINANCE

committee name

committee on SBI41, dated 4/22/05

bill/subject

PLEASE STOP! AND TAKE
SOME TIME TO ADDRESS
THE REAL PROBLEM! DO NOT PUSH
THIS THROUGH AS IS!

Signed:

Testifier

Gene Eckstein

Representing (Optional)

Address

P.O. Box 722 Delta, AK

Phone No.

895-4327 + 895-4892 w



Alaska State Legislature

Please enter into the record my testimony to the House Finance
committee name
committee on SB 141, dated 4/21/05
bill/subject

* Teacher's Retirement system and health care for retired teachers. As a person about to retire from a 28 year teaching career, I request that the current retirement system be the same as it has been since I began working in Alaska. As a single person with no other retirement to draw from, I request that grandfather rights be used for all who began teaching prior to 1980. There you, Brenda

Signed: Brenda Carveragh Carveragh

Testifier

myself

Representing (Optional)

Box 1205

Address

Delta Jet, AK. 99737

Phone No.

(907) 895-4296



Alaska State Legislature

Please enter into the record my testimony to the House Finance Committee
COMMITTEE NAME
 committee on SR 141, dated 4-23-05.
BILL / SUBJECT TODAY'S DATE

Please carefully consider any changes to ^{the current system of} governing the use of the Retiree Trust Fund.

Please consider public input and other options to the changes proposed in this bill, SB 141. I understand that this bill would eliminate the current Defined Benefit Retirement Program and replace it with a Defined Contribution Program. I also understand that →

Sheryl Baechler TESTIFY TRRS
 myself as future retiree of ~~TRRS~~
ADDRESS 295 E. Fairview Ave, Homer, AK
907-235-7084 49603
PHONE NO.

Sheryl Beechler

Page 2 of 2

The PERS/TRS and ASPIB Boards would be eliminated and be replaced by another type of board that appears to be less responsive to the needs of the retirees.

This bill appears to make drastic changes in the PERS/TRS that have been in place for 50 years. Please consider any changes carefully with public input, thank you.



Alaska State Legislature

Please enter into the record my testimony to the House Finance
committee name
committee on SB 141, dated 4/23/05
bill/subject

Before a decision is made quickly,
please work with NEA-Alaska and others
who are informed about successful retirement
systems to find a solution that will work
and be fair for all employees. Slow down
and do more research - please!

As a teacher with 10 years left before
I retire, I'm concerned. I'm also concerned that
teachers will not come to or stay in Alaska if the

Signed:

Testifier

Representing (Optional)

Address

Phone No.

Jeanine A. [unclear]
Educators / Murillo

PO Box 916 Delta Jet, AK 99737

(907) 895-5044

retirement system
changed or drastically



Alaska State Legislature

Please enter into the record my testimony to the HOUSE FINANCE
committee name

committee on SB 141 , dated 4-22-05
bill/subject

HOUSE FINANCE COMMITTEE. PROBLEMS WITH
THE RETIREMENT SYSTEM ARE LONG TERM AND A
QUICK FIX IS NOT THE ANSWER. SLOW DOWN
AND ADDRESS THE PROBLEM FULLY. WATERING DOWN
RETIREMENT BENEFITS WILL ONLY DO ONE THING,
CAUSE QUALIFIED PEOPLE TO LOOK ELSEWHERE
FOR WORK.

Signed: Louis E. STOKWEG *Louis E. Stokweg*
Testifier

Representing (Optional)

P.O. Box 759, DELTA JET, AK 99737
Address

895-5035 WK, 895-4094 HOME
Phone No.

Alaska Legislative Information Office

Dear Legislators,

RE: SB 141 TRS/PERS Retirement System Legislation

PLEASE DO NOT SUPPORT THIS BILL!

Why?

- This is a critical piece of legislation which impacts the lives of hard-working, dedicated Alaska public employees and teachers. *It needs further study and research.* The initial draft of this bill was presented only one month ago, clearly not enough time to adequately consider the drastic nature of changes in public employee retirement.
- The passage of this legislation would also impact everyone else in Alaska, because it would change the ability of public employees and teachers to contribute to the health of the economy of the state as the result of a reduction in retirement and benefits. *There would be an adverse "filter down" affect of such a drain on retirement benefits.*
- It will take at least a decade to realize funding savings, if any, as a result of such legislation. *There are no guarantees of funding savings and there will be no short-term benefit.*
- Teachers and Public Employees on the whole do not support this legislation. The best way to gain support for such legislation is to involve employed and retired public employees in the process and ask for their input. If you want support, then *seek involvement from those impacted by such legislation.* Do not rely just on testimony alone. *Seek active involvement from these individuals in drafting sound, effective legislation.*
- This type of legislation impacts the lives of elders at a time when they are less able to care for themselves. That is why they have worked so hard to develop an adequate state retirement. *How would you react if you worked hard for 30 years contributing to a stable retirement system only to find out when you retired that you can not depend on that major source of income?*
- As state retirees, we cannot rely on any Social Security contributions we made during employment which was not state employment. Not only have retirees contributed to a Federal system for which they will receive ABSOLUTELY NO BENEFITS, but the State of Alaska now diminishes the contributions they are making for state retirement benefits through SB 141. *Broken promises breed public mistrust.*

- Maintain the Alaska State Pension Investment Board, the Alaska Teachers' Retirement Board, and the Public Employees' Retirement Board. Replacing these with the newly proposed Alaska Retirement Management Board will only further remove retirees from managing their own retirement and making important decisions that need to be made. *The Alaska Retirement Management Board will only further separate the people from those who make critical decisions about their lives.*
- Passage of SB 141 will have a *major adverse affect on the ability of the state to recruit teachers and public employees throughout the state, particularly in rural areas.*
- *A Defined Contribution Plan IS NOT THE ANSWER!* My foremost question is: *WHO WILL BENEFIT FROM THESE CHANGES? It will not be the retiree!!!*

Have you ever been a public employee or a teacher in the state of Alaska? Then you know how difficult it can be at times to be so completely dedicated and committed to one's job to hang in there until retirement age or until the sufficient number of years have been worked. Living in a rural community simply adds to the difficulty of remaining a dedicated public employee. Yes, many of us manage to invest privately for our future, but we also rely heavily on the promises of this state to provide an adequate retirement with medical benefits. As a result, we forfeit our right to any Social Security benefits, despite the fact that we may have years of contribution into that system (I have over 10 years into the social security system from which I will never be able to draw a single benefit. Is this fair?).

As a retired teacher in this state, *I ask you NOT to support SB 141.* This issue of change must be carefully and thoroughly studied and researched so there is minimal adverse affect on current and future retirees. Although many retirees leave the state, more remain in the state. That means *retirees must be able to continue to contribute to the economic health of the state throughout their lives and not become economic burdens on society. By providing an adequate and stable retirement, this will happen. Under SB 141, this will not!*

PLEASE - DO NOT SUPPORT SB 141!!

Donna Van Luchene

Box 1938

Nome, AK 99762

(907)-443-2979

donnavan@pci.net

Retired Alaska Teacher



4-22-05

To: The House Finance Committee Hearing on SB 141

Fax #: 1-907-465-6813

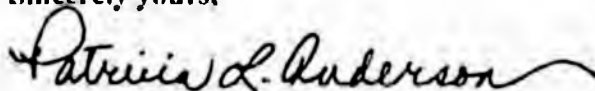
**From: Patricia L. Anderson, retiree, State of Alaska
3849 Apollo Drive, Anchorage, Alaska 99504
Phone: 907-333-2495, e-mail: andyndpat@gci.net**

I object to bill SB 141 for the following reasons:

- 1) Alaska laws and other public policies contributed to the retirement fund shortfalls, yet these bad policies have not been addressed. This bill will have no impact on the shortfalls. These shortfall policies should be fixed before any changes to the current plan, or Retirement Trust Fund takes place.**
- 2) There has been no public consideration given to the costs of changing to another system. These big change costs should not come from the existing Retirement Trust Fund.**
- 3) This new proposed 'mega board' which would replace the PERS/TRS and ASPIB Board, would have all appeals handled by a single administrative law judge in the Department of Administration. We would have no board responsible to the people to go to for help in getting fair treatment of appeals.**
- 4) This places incredible power in the hands of the governor through his power of appointment. Where would the checks and balances be on which our government was established?**
- 5) Serious consideration of other options must be made before this bill is rammed through with minimal public input. The State, School Districts and Political Subdivisions are finding it extremely difficult now to recruit even with a much more superior current Defined Benefit Plan.**

I am a 39 year resident of Alaska, and a SOA retiree. I am very concerned about this bill which could jeopardize my future.

Sincerely yours,



Patricia L. Anderson



Alaska State Legislature

Please enter into the record my testimony to the HOUSE FINANCE
committee on SB141 , dated 4/22/05
committee name
bill/subject

PLEASE STOP! AND TAKE
SOME TIME TO ADDRESS
THE REAL PROBLEM! DO NOT PUSH
THIS THROUGH AS IS!

Signed: [Signature]
Testifier Gene Eckstein

Representing (Optional)
Address P.O. Box 722 DELTA SE. AK
Phone No. 895-4337 + 895-4893 W



Alaska State Legislature

Please enter into the record my testimony to the CSSB 141
committee name
 committee on SB 141, dated 4-22-05
bill/subject

Please take the time to work
 on an acceptable solution.
 I feel that this bill -
 effecting so many people - has not
 had adequate time for public
 awareness and comment.
 Thank you for your consideration.

Signed: Sheryl L. Mills
Testifier
State of Alaska Public School teacher, parent
Community member
 Representing (Optional) 4912 Lamara way
POB 433, Delta Jct.
Address
907-895-1948
Phone No.



Alaska State Legislature

HF 14

Please enter into the record my testimony to the Finance
committee name

committee on CSSB 141, dated April 23, 2005
bill/subject

I encourage the committee to postpone action on CSSB 141 this session in order to allow more time to study the benefits and costs of the Defined Contribution Plan.

This is a complex issue which requires careful study and accurate data with time to consider all ramifications.

Signed: GEORGE STUART
Testifier

Representing (Optional)
PO Box 1804 PALMER, ALASKA
Mailing Address
907-745-7119
Phone Number



Alaska State Legislature

Please enter into the record my testimony to the CS5B141
committee name

committee on SB14, dated 4/22/05
bill/subject

PLEASE SLOW DOWN -- why the rush!!
 we need time to READ the info/bill
 and digest it + understand it before
 it goes any further!

When so many are effected by this
 bill, we need "TIME" to give it
 the proper consideration.

Thank you for ^{your} consideration of
 this MATTER - It's "Very" IMPORTANT!

Signed: Jodi Hite, Elem. Teacher.
Testifier Concerned Community Member + Educator.

Representing (Optional)
P.O. Box 1232 Delta Jet AK
Address 99737
907-895-4060
Phone No.



Alaska State Legislature

Please enter into the record my testimony to the _____

committee on PERS/TRS, dated 4/22/05 :
bill/subject retirement committee name

Do not pass the bill on TRS. More time is needed to fully appreciate the possible ramifications of this bill.

Signed: [Signature]
Testifier

Representing (Optional) Rox 1039 Delta AK 99737
Address [Signature]
Phone No. 895-4774



Alaska State Legislature

Please enter into the record my testimony to the _____
committee on SB 141, dated 4/22/05
bill/subject committee name

Dear Committee Members;

I am very concerned about the passage of SB141 and its effect on our state in Education. I've been a resident of this state for 36 years and have witnessed quite an erosion of state support for education. This only makes matters worse.

I fully encourage you to delay the passage of this bill until its effects can be more fully explored.

Signed: Patricia Krepel
Testifier

Representing (Optional)
PO Box 963
Address
907-895-5182
Phone No.



Alaska State Legislature

Please enter into the record my testimony to the CSSB 141
committee on SB 141, dated 4-22-05
bill/subject committee name

please don't change our retirement system in the way the bill 141 proposes. It is not fair to new employees and will not attract quality teachers to our state. As a current teacher, I'd like my pension to have a cost of living adjustment so I CAN retire!

Signed: Janet Reiter
Testifier

Representing (Optional)
PO Box 1039 Delta AK 99737
Address
895-4774
Phone No.



Alaska State Legislature

Please enter into the record my testimony to the House of Finance
committee name
 committee on CSSB-141 , dated 04.22.05
bill/subject

Please, take more time to
 look through to diside on
 Retirement and Benefits plan.

Signed: Kurlakevich
 Testifier

Representing (Optional)
HC-60 Box 4430
 Address
(907) 895-4785
 Phone No.



Alaska State Legislature

Please enter into the record my testimony to the House Finance
committee name
 committee on SB141 TERS/PERS, dated 4-22-05
bill/subject

Don't act hastily! Please take time to review SB141 and give the public an opportunity to speak to the committee on issues concerning HB141.

Signed: Carline Brauch
Testifier

Representing (Optional)
P.O. Box 5 Delta Jct. AK 99737
Address
(907) 895-2285
Phone No.



Alaska State Legislature

Please enter into the record my testimony to the House Finance
committee name
 committee on SB 141 PERS/TERS, dated 4-22-05
bill/subject

Please take time to review the retirement system. Don't act until the public has an opportunity to address the bill!

Signed: Michelle R. LaDouceur-Beets
Testifier

Representing (Optional)
P.O. Box 905 Delta Jet, AK 99737
Address
907-895-4757
Phone No.

April 22, 2005

Members of the Finance Committee
Alaska State House of Representatives
Juneau, Alaska

Reference: Testimony on SB 141
House Public Hearing, April 23, 2005

As I am unable to attend your hearing in person, I submit the following comments:

Having closely followed the activities of the PERS/TRS and ASPIB boards over the past four years and noting the recent prestigious national award received by the ASPIB, I question the current legislative efforts to eliminate those boards, especially as they will be replaced with one board appointed by the governor.

I note that there is also a legislative effort to change the control of the investment of the Permanent Fund and place those investments more completely under the control of the governor.

Therefore, considering the huge amounts of money represented by these two funds, I wonder: What is going on? Who is behind this? Who or what is benefiting? What is happening to a system of checks and balances to protect these funds?

Our legislators are on the verge of destroying a system that has worked well since statehood and it is being done based on faulty and, in some cases, I believe, false information. Many Alaskans, far more knowledgeable than I have pointed this out over and over again, and I know you are aware of it. The question, then, is why this push to get rid of these boards based on this false information? Who is going to benefit from this new monolithic body?

As a resident of Alaska since 1963, and an Administrative Generalist with the University of Alaska Fairbanks with a vested interest in your actions, I want you to know that with the provisions of SB 141 you are gambling with the future of my retirement fund and my medical benefits. This is of grave concern to me as my salary is not large to begin with, and has certainly not kept pace with cost of living increases. My husband and I will never be wealthy and are counting on having good health benefits and a secure monthly retirement in our "golden years."

The present retirement system is not broken. It is working well considering the obstacles the PERS/TRS boards have had to deal with as they have endeavored to protect the retirement fund. If you want to lay blame for problems, I suggest you look elsewhere than the PERS/TRS boards.

THIS IS NOT POLITICS AS USUAL, THIS IS A POWER GRAB THAT WILL IMPACT EVERY ALASKAN! Stop messing with our state retirement system and deal with the real issues our state is facing.

Sincerely,

Linda A. Harriger
PO Box 81116
Fairbanks, AK 99708
(907) 479-5449

Post-It® Fax Note	7071	Date	4/22/05	# of pages	1
To	L10	From	LINDA Harriger		
Co. Dest.		Co.			
Phone #		Phone #	479-5449		
Fax #	1-907-465-1083	Fax #			

Katie Shows

From: Rep. Paul Seaton
Sent: Tuesday, April 19, 2005 11:37 AM
To: Katie Shows
Subject: FW: PERS/TERS Legislation - SB 141

Ian Laing
Rep. Paul Seaton
Legislative Staff
(800) 665-2689

From: Rachel Boyd [mailto:rboyd@co.fairbanks.ak.us]
Sent: Tuesday, April 19, 2005 10:19 AM
To: Rep. Paul Seaton
Subject: PERS/TERS Legislation - SB 141

Dear Legislator,

PLEASE DO NOT be herded into passing bad legislation! The consequences of this bill have not been fully defined, but they will be drastic. Raise the contribution rate in the interim so you do not feel so pressured (although this means a de facto cut in pay for all PERS/TERS employees), but please take time for SERIOUS study of the ramifications of any proposed solution. Employees will live with the results for the remainder of their lives. This is too weighty for knee-jerk reaction.

Employees did not cause this problem, but it looks as though most of the burden for recovery will be placed on them.

Please oppose replacing and combining the boards. As I understand it, these boards are largely policy and appeals boards. Each system needs its own board that is intimately familiar with that plan.

Defined contribution plans place ALL the risk on the employee. Judging from the status of my IRA, I would guess you are going to find a lot of future retirees on welfare after their 401K plans run out of money if you pass this legislation.

Placing retirement money in 401K plans will further impact the present PERS/TERS fund as all these future hires will not be contributing.

The plan does not include any death or disability insurance. Many workers are in hazardous situations. It is irresponsible for the State to pull the rug out from under all future employees.

Please pull your support from all the current PERS/TERS bills unless they are drastically amended. This bill will impact thousands of people. Please take the time to do it right.

I appreciate your consideration.

Sincerely,

Rachel Boyd, Secretary
FNSB, Dept of Community Planning

4/19/2005

By contrast, the fund that pays for the system's traditional pensions, which is handled by professional money managers, had a five-year return of 3.52%.

Personal accounts have also had relatively few takers in the state's other big plan, the State Teachers Retirement System of Ohio, where 12,500 of the plan's 225,000 members — less than 6% — have chosen personal accounts, said Laura Ecklar, spokeswoman for the teachers' system.

Ecklar said it was impossible to tell how personal account holders had fared, because no single investment option offered by the teachers' retirement system was so favored by participants that it could serve as a representative for all.

During his Ohio appearance, the president was accompanied by several retirement plan participants.

Among them was a University of Cincinnati employee who said she was making 6% on a "guaranteed" account that sets a floor under and a cap on what people can make. Another person said he was making 7.1% on a hybrid plan.

In a pitch directed to Democratic lawmakers, who are nearly unanimous in opposing Bush's plan to create Social Security personal accounts, the president called for "political amnesty" for those who joined his drive to retool the retirement program.

"All ideas are on the table," he asserted at several points in his remarks.

His declaration appeared to reinforce a suggestion made Thursday by his top economic advisor, Allan B. Hubbard, that the voluntary retirement accounts might be acceptable to Bush even if they were offered as an "add-on" to Social Security, instead of being financed by current payroll taxes, as the president was advocating.

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TESTIMONY ON LEGISLATION REGARDING RETIREMENT LEGISLATION

I am Merritt Olson, a 51-year resident of Alaska who has had a long connection with education and the state's pension program. At Anchorage's West High School I taught mathematics and business subjects and later served as chair of the guidance department and coordinated the Honors and Advanced Placement programs.

In 1977 Governor Hammond appointed me to the Teachers' Retirement Board, a position that I held for some fifteen years serving as the chair. When the Alaska State Pension Investment Board was created by the legislature in 1992 I was elected to serve as one of the four members designated to represent the teachers and public employees. Currently I am serving on that board.

My concerns are that replacing the defined benefit program with a defined contribution plan will be a deterrent to attracting quality teachers and public employees to the state. In the case of teachers, employment in Alaska is no longer attractive when compared with many states. From providing the highest salaries of the 50 states, Alaska has in recent years dropped to the mid-rankings. School districts are finding a dearth of applicants as a result. Adopting a defined contribution plan exacerbates the the problem. Members will no longer have assurances of a pension that adequately provides for them at retirement. Many teachers who have had little or no experience in making wise choices in personal investments will be lost without so. etion. Will the state be prepared to provide education in basic investments for ho are in need of such?

Spiraling health care costs and the poor market returns of 2001 and 2002 certainly have strongly affected the funding ratio. But also contributing to the deficits we now experience are the actions of past legislatures, actuaries, employers and employees, as well, who yielded to pressures to lower normal retirement age limits and to offer incentives in the form of attractive bonuses for early retirement. Some of us argued with the actuaries, but to no avail, that their cost estimates for these freebies were far too conservative. Now we must face up to the extravagance of these actions.

The sizeable unfunded liability of the pension system is sufficiently large to demand attention but it is not a crisis situation as some would make it out to be. When I went on the TRS Board in 1977 the pension plan was little more than 50% funded but the funding status continued to improve and by the '90s it was fully funded. Optimist that I am, I believe that can happen again based on rising markets, consistent and improved actuarial advice and a handle on medical costs.

Legislation that would replace the three boards (PERS, TRS and ASPIB) with a single nine-member board appointed by the governor is also a concern. A board with all its members subject to appointment by the governor could very well have frequent turnover of some, or all, of the trustees as administrations and part control

change. For an efficient operation of the boards a certain continuity of service is desirable.

||| Dr. Merritt C. Olson
1032 W. 11th Avenue, #203
Anchorage, AK 99501

From: Angie Hellickson [tinydancer21@yahoo.com]

Sent: Tuesday, April 19, 2005 9:17 AM

To: Rep. Paul Seaton; Rep. Carl Gatto; Rep. Jim Elkins; Rep. Bob Lynn; Rep. Jay Ramras;
Representative_Berta_Gardiner@legis.state.ak.us; Rep. Max Gruenberg

Dear Representatives,

Please **DO NOT** support SB 141! This bill is harmful to all current and future PERS/TRS employees.

- The State of Alaska has been committed to a sound retirement system since before statehood
- Public employees - and all workers - deserve to know how much of a monthly income they will get when they retire. SB 141 will not guarantee that for new hires.
- The fault of the unfunded liability is not the fault of current or future employees.
- The legislation doesn't provide for any death or disability insurance. Dozens of classifications of workers find themselves in potentially dangerous work situations including in the corrections system, API, schools, police and fire, fish and wildlife biologists and protection officers, and engineers and equipment operators constructing and maintaining roads. Public employees have died while performing their duties for the public.
- Most public employees make a basic wage with no extra money to save for health benefits and life insurance
- Combining the boards will cost a great deal of money and will not fix the problem. Public employees pay in substantial sums of money into the system and should have a say through elections in who helps makes decisions
- Often, the problems come back to mistakes made from one single actuary. Isn't it time to get more professional input before changing the retirement safety nets Alaskans have depended upon for nearly 50 years?
- Recruitment and retention - especially for more specialized job classes - will become more difficult

Thank you for your consideration on this matter.

Angela Hellickson

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Jan Conitz
619 W. 11th St.
Juneau, AK 99801

Representative Paul Seaton
Chair, House State Affairs Committee
Alaska Legislature
re: Public Hearing 4/19/05 on SB 141 and related bills

Dear Representative Seaton:

I attended the committee hearing last evening on SB 141 and heard nearly all the testimony. I attended as a concerned citizen; I am an employee and a supervisor at Alaska Department of Fish and Game. First, I want to thank you for holding this hearing, giving adequate time for testimony, and listening attentively to each speaker, allowing time for questions at the end.

You heard in testimony after testimony public employees and teachers, from across many occupations and regions of the state, speaking with a strong unified voice. I share all of their concerns and would like to reiterate and emphasize the following negative effects of the proposed legislation:

1. Placing an unfair (and possibly unconstitutional) burden on current employees, especially those in the lower pay ranges. Increasing the contribution for the same benefit already promised represents a pay cut, at the same time that wages and salaries in public service are not keeping pace with the economy.
2. Plan is grossly unfair to future employees, including our children and grandchildren. I am especially concerned about the length of time required of employees to earn full benefits, with the distinct possibility they could work many years and then not receive benefits, the fact that contributions may not even cover health insurance, and the fact there is no safety net with increasing likelihood workers will exhaust benefits before the end of their lives.
3. Consequence of poor benefit plan is ever more difficulty in recruiting and retaining qualified workers. This cannot be over-emphasized. As you heard last night, it is already a problem in most departments. People expect to receive stable benefits in exchange for their career service combined with the lower pay they receive in public service.
4. Further erosion of qualified public workforce hurts all citizens of the state and will negatively affect our economy. Despite popular political perception that public employees are unnecessary, many functions of state and local governments are vital and irreplaceable. For example, the fishing industry is still the No. 1 private employer in the state. Without public sector management of our vital public fishery resources, there could be no viable seafood industry.
5. "Portable" benefits are just that. When employees realize their long-term benefits are inadequate, those most able to do so will leave for better opportunities elsewhere. The cost and

burden of continual re-hiring and training of new, and less-qualified, workers will fall to the state and local governments.

6. Shifting responsibility and risk in retirement investment to the employee is justified when the employee is well-compensated, above basic needs for housing and groceries. Most public employees and teachers do not enjoy this margin.

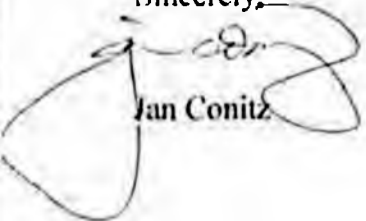
7. Public employees and teachers are important to the whole state and our economy. We need to provide adequate compensation to attract and keep good workers, who are interested in serving the state of Alaska and its people.

I recognize you and your committee for the extensive work you have done on this issue. The hearing last evening was lengthy, fair, and well-attended. But the public at large, and the affected employee groups, have not had nearly enough time to consider the sweeping and radical changes proposed. I urge you to take the following actions:

1. Do more fact-finding to determine why there was such a failure in estimation of the PERS/IRS funds between 2002 and 2003. If errors were made, who is accountable?
2. Slow the bill down, and give the public time to digest the information.
3. Take time to carefully craft amendments, after allowing public input. Present a clean and carefully-considered bill, with lots of input from the stakeholders.
4. Consider other options for change in our retirement systems, such as raising the retirement age, or re-structuring health care benefits.

Thank you for your consideration of public comment given so far. Please allow more time and work with the people who serve this state, to find a just and sustainable solution to this important issue.

Sincerely,



Jan Conitz

Testimony of HB238/SB141
Gayle Harbo, April 2005

I have heard and read in the press that Alaska's public pension funds are in crisis. I have heard the figure "a 5 billion dollar unfunded liability". The liability is a crisis only if every PERS and TRS active member retires tomorrow and is paid all the money entitled to them for all their retired years. The funds, without health care costs, are in good shape. The earnings on the pension funds for each of the past two years have been 15%, better than the Permanent Fund. The funding ratios for non-medical benefits for TRS and PERS, based on market assets, are 93% and 120%, respectively. With medical benefits, the funding ratios drop to 64% and 74%, respectively. It doesn't take a rocket scientist to see that increasing health care costs are the problem. It is a recognized problem that can be solved without legislation. The Administration, working with employee groups, can make changes to current tier medical plans if the changes are for choice or convenience. They also have the ability to change the plan for future hires.

Have the funds been here before? You bet - in 1980, the funding ratio for TRS was 67%. At that time the contribution rate for the our model 50 year old system was roughly 7% each for employee, employer and the state, or 21% of payroll. When the state started funneling its share through the districts in FY'87, the contribution rate for the employer/state continued to decline to 12% until FY'05. The rate was then increased to 16%. Half the increase in the past few years has been caused by rising health care costs; a problem not unique to Alaska. This legislation seems to forget the state's share and speaks only to employee and employer shuring equally. No longer would 21% of payroll go to retirement.

Can the problem with health care costs be addressed? The Division of Retirement and Benefits and the Joint Boards of TRS and PERS have been working on cost containment, most recently with a generic drug campaign and in the near future with other measures such as preferred providers and closed formularies. The Division is also introducing a Positive Enrollment Program which they predict may save the state \$16 million dollars.

So you ask, why is the problem called a crisis? Some interests, both in and out of Alaska, want to privatize public pension funds. Alaska is only one of several states where some legislators have "bought in" to the need to privatize the billions of dollars of such funds. Most Alaskans know that is not the path to follow - many past legislators like Jay Hammond, Terry Miller, Arlyss Sturgelewski and Charlie Parr worked to make Alaska's 50 year old retirement system a model for other systems in the country. Alaska is one of only four states which prefunds health care. Alaskans pride themselves on being independent and not having others tell them what to do.

The Employee Security Act which passed out of the senate as SB141 is a bill which assures *no security* for future retirees. It *takes away* the Defined Benefit plan which provides for a safe and secure income for Alaska's elderly in their golden years. In its

place is a DC plan. We all know DC plans discriminate against women, simply because they live longer. It would leave future retirees with no guaranteed monthly income, no health insurance and no cost of living adjustment. Many of these same legislators who would impose this system on future retirees have experienced what it means to take care of aging parents or loved ones who suffer from terminal illness or dementia, yet those same legislators would condemn future retirees to uncertain futures. It is not right, it is not fair, it is not necessary.

Talk with an employee who has been retired for 20 years or more and ask if they could now live on their base benefit, with no COLA or rpa. Under a DC plan there will be no incentive for retirees to remain in Alaska and contribute their time, expertise and pension dollars to Alaska's communities.

Why would our state, which has received almost 100% more than its budgeted amount for oil revenue, turn its back on seniors who have dedicated their lives serving Alaska's citizens? Only a few legislators would do this. They do not have the courage of those past legislators like Jay, Terry, Arlyss and Charlie. They do not have the courage of Senator Lisa Murkowski who has always been a strong proponent of public education and parent involvement. She had the courage to sign on to the repeal of the Government Pension Offset and the Windfall Elimination Provision, two provisions which reduce or eliminate Social Security retirement for thousands of Alaska's public servants. Senator Murkowski would not want to see legislation which would further discourage qualified teachers and public employees from coming to Alaska to work and from making Alaska their home.

Please "make Alaska proud"

~~_____~~ We do not want outsiders telling us how to run our pension funds. Our funds are in great shape if you look at the long term. As Michael O'Leary, the financial advisor for the Alaska State Pension Investment Board, recently said - "How powerful any time period is when looking at investment return". Think long term. Governor Murkowski, in his Dec. 13 2004 letter to seniors, stated "care for our elders and for vulnerable adults in our society is vital to our success as a state." He further states - "*seniors should not have to choose between paying their rent, buying food or being able to fill prescriptions.*" That is exactly what many seniors will have to do if the legislature does away with a *Defined Benefit* retirement system. Please ask your legislators to "make Alaska proud" and retain our current *Defined Benefit* system. We can all work together to address health care costs.

We can work together to make Alaska a place where young people want to come and work. We can be a role model for health care reform if we choose to work together. I do not like the word "impose"; I prefer sitting down and developing a solution which works for all. There are many good things in this legislation which help close some of the loopholes, but doing away with a *Defined Benefit* plan is not one of them. Thanks for your time.

Gayle Harbo, Box 10201, Fairbanks 99710

✓ House State Affairs
 From: Eugene Harbo 204-10201 Fairbanks 99710

Concerns for Rep Juy Ramrus to share with House State Affairs

Why does the legislature continue to use Mercer for all the data for these retirement bills when Mercer is part of the problem?

Jt Boards asked for an actuarial audit of Mercer in '02 - '03. The auditor, Milliman, found several areas of concern in Mercer's work. The most significant was understating liabilities for health care costs. See page 6, Jt. Bd Mtg, Sept. 21, '04. Health care costs account for 50% of the employer contribution rates these past two years. Another recommendation by the auditor which had a significant, and one time effect, on the funding ratio was the methodology change to recognize deferred losses. The change from a corridor method to a 5 year smoothing impacted the '03 valuation with a 15.03% increase in the employer contribution rate. (pg. 8 Mercer's Actuarial Valuation Report, June 30, 2002).

You have also heard that Mercer gave past legislatures poor information when they said Retirement Incentive Programs would be cost neutral to the funding ratio. They changed their minds this past year because they have failed to recognize the rapid rise in the cost of health care. At the Borough Assembly Meeting on April 14, Fairbanks Mayor Steve Thompson mentioned that in his research of the sale of MUS he found the Mercer had given the city very poor advice.

In the assumptions adopted by the Jt. Boards in Dec. of 2000 (they are adopted once every 5 years), Mercer predicted a Health Premium Trend of 5.5%. It has been far greater and they have made adjustments these past years. In the most recent valuation they have finally broken out the costs of health care from the costs of prescription drugs. This is much more helpful to the Boards when they are making decisions.

In a recent letter to House State Affairs the Director of R and B mentions some of the cost containment measures we have been trying to employ. One successful program not mentioned, but in place since 2001, has been to encourage the use of generic drugs. When started the generic use was only 18%. Our goal then was to reach 46% and in March of this year we moved closer to that goal and now have 42% generic drug usage.

In January of 2004 the Health Benefit Subcommittee recommended several cost saving measures, among them the use of Disease Management, used in most health plans in the state. In June of 2004 we were told the \$240,000 start up for a pilot with Diabetes, was too costly. Other plan managers tell me that Disease Mgt is an important cost savings program. The Health Comm. again recommended Disease Mgt. at its meeting March 21 2005, as one of six initiatives we would like the Division to implement. I don't see it mentioned in the memo dated March 30 and forwarded to you April 12. The memo also mentions that Providence is a preferred provider, yet Mike Wiggins stated at our Mar. 21 meeting that they were not. I will check with Mike.

*Re. Boards
Composition*

Testimony SB 141
Gayle Harbo, April 2005

The current system of 3 pension boards may, at first, seem cumbersome, but each has a slightly different role. The Boards work well together and the Jt Boards of TRS and PERS appreciate the time and effort of the Alaska State Pension Boards members to manage and invest the billions of dollars of pension fund assets. ASPIB's role and function was carefully crafted in the early '90's. They have done an excellent job and invested many volunteer hours.

PERS and TRS are advisory to the Administration, except for appeals, and in the case of PERS, setting the employer contribution rate.

It is important to have members of the system on any board which oversees the billions of dollars of pension fund money or listens to appeals. The boards are fiduciaries and should include members who contributed to the funds. It is also important for system members to have appeals heard and resolved by peers.

Elected representation from both TRS and PERS is a must on any board. I see no problem with merging the TRS/PERS Boards and I spoke at length with Rep Kelly's aide, Heath Hillyard, regarding the combination. A seven person board, with equal elected representation (for example 2 each as on the current PERS Board), plus one school district employer and one municipal employer and one other appointed person would be workable.

I ask you to please retain these important boards, keeping ASPIB with its current structure, and assuring there is elected representation of the parties who have contributed to the pension funds.

*Gayle Harbo
Box 10201
Fairbanks 99710*

4/18/05

To: Rep. Paul Seaton -- fax'd to 465-3472

Re: Retirement bills should receive deliberate consideration – please hold to '06 for proper study and avoidance of unanticipated problems

Fr: James E. Fisher, 171 Farnsworth Blvd., Soldotna, 99669
Ph: 262-9601 fax 262-9641

J. E. Fisher 4/18/05

Reports have indicated revisions to the state's retirement system needs more consideration, or it could:

- 1) have amendments, or be, initiated without a solid basis of information about its current condition or accurate forecast of future ramifications;
- 2) carry forward poor actuarial forecasts (those responsible should be discharged and better advice sought) or at least a second opinion secured;
- 3) be based on unrealistically low revenue possibilities?
- 4) overlook past unrealistic changes, or shortages, from contributions/payments into the trust fund that have been responsible for its present apparently alarming situation?
- 5) has the Senate's rapid action on the bills (only 1 referral in the Senate) overlooked aspects and needs for reasonable solutions?

March 2004

SECTION: FEATURE; Pg. 28

LENGTH: 1759 words

HEADLINE: PENSION PENDULUM

BYLINE: Anya Sostek

HIGHLIGHT:

A few years ago, defined-contribution plans were hot. Now they're not.

BODY:

In the mid-1960s, the Nebraska legislature embarked on what would ultimately turn out to be a very expensive experiment. Nebraska had just decided to provide all state and county workers with retirement benefits, something that the state had done two decades earlier for its teachers and judges in the form of a traditional "defined-benefit" pension plan. But in the spirit of the '60s, the state decided to blaze new ground, selecting an up-and-coming idea called "defined contribution" for the state and county workers.

Where defined-benefit plans gave employees a fixed amount of money at retirement, usually based on their salary and years of service, the new defined-contribution plans created individual employee savings accounts, allowing workers to invest the money on their own. As the 20th century drew to a close, Nebraska's decision seemed positively prescient. Many other state governments were considering legislation to adopt similar plans, which had already caught fire in the private sector in the form of 401(k) accounts.

But Nebraskans' feelings about such plans changed in the year 2000, after a large-scale study of the state pension system. The results shocked even those who already had doubts about the defined-contribution approach. During the period from 1983 to 1999, state and county workers averaged a 6 percent return on their money--versus an 11 percent return for the state's professional investors handling the traditional pension money.

Faced with such a disparity, legislators acted almost immediately to change the system, ending the defined-contribution plan for new hires and giving all other workers the option

to switch into a hybrid plan. "We had to take a look in the mirror and think, is this really providing a true pension?" says Anna Sullivan, executive director of Nebraska Public Employee Retirement Systems. "It's really sad what they retire with. It's nothing compared to what people in our defined-benefit plan receive."

Nebraska's experience is unlike that of any other state--in the duration of the plan, the level of data collected and the abrupt shift away from defined contribution. But Nebraska's experience was a harbinger for a nationwide trend. Momentum for defined-contribution plans, which peaked nationwide with the red-hot stock market of the late 1990s, has slowed significantly in the wake of the market downturn. Since then, no states have adopted new plans and participation in optional plans is far below projected levels. "I don't think Nebraska is unique," says Sullivan, who has worked for the state pension system for 28 years. "I read every article I can get my hands on, and the patterns are very similar."

FLEXIBILITY VS. RISK

Virtually all governments started out offering their workers defined-benefit plans: As long as employees worked the number of years required to be vested in the system, they were guaranteed a fixed, annual amount based on their salaries and years of service. In the 1980s, the private-sector shift to defined-contribution plans took off as small employers realized they offered a way to provide retirement benefits with essentially no financial risk. Younger workers, who tend to change jobs frequently, appreciate the portability. When they leave a job, they can take the contributed funds with them.

Of the nearly two-thirds of private-sector workers who had pension plans in 2000, 22 percent were in defined-benefit programs; 42 percent were in defined-contribution plans. In contrast, 90 percent of government workers are in defined-benefit, with only 10 percent in defined-contribution programs. It is increasingly common, however, for governments to offer supplemental defined-contribution plans, in addition to their defined-benefit plan.

The most important difference between the two plans boils down to who is left holding the bag if investments turn sour. In a defined-benefit plan, the risk lies with the employer. If an employer--private or public--is lax in its funding, or if it invests its money poorly, it is still on the hook to pay employees their guaranteed benefits. With governments under constant fiscal pressures, underfunding of pension plans is not uncommon. In one of the worst such cases in the early 1990s, the West Virginia teachers' pension fund had a total liability of \$3.2 billion and had assets of less than \$300 million. The few places that are still considering defined-contribution plans--notably New York and Massachusetts--are doing so mainly because of concerns about their ability to fund a traditional plan.

Defined-contribution plans have no possibility of incurring a funding deficit, because each employee has his or her own money already saved in an account. "Defined-contribution plans mean that there's no future liability that has to be paid for," says Trevor Martin, director of the commerce and economic development task force for the

American Legislative Exchange Council. With the defined-benefit plan, on the other hand, if pension funds "default or underperform severely, it all boils down to costing taxpayers," Martin says.

To force itself to straighten out its finances, West Virginia switched to a defined-contribution plan in 1993. The funding is now stable, but teachers are asking to switch back to a defined-benefit plan--a proposal that the legislature is considering this session.

It turns out that, as Nebraska learned, employees are not comfortable investing their own money. "It's like sitting in a car and you've never seen a steering wheel before, and they say to drive this thing," says David Haney, executive director of the West Virginia Education Association. "You may figure it out eventually, but it may wreck in the process." Haney contends that an aggressive education program is a necessary component of a defined-contribution plan, and that West Virginia teachers weren't given any semblance of an education.

Even in Nebraska, where employees were given the option of taking off work to attend full-day financial seminars, investment performance was woeful. "I don't think that people have the discipline, the time or the temperament to manage their own defined-contribution account and to have that be their whole retirement," says Sullivan.

TEPID INTEREST

The flip side of the risk in defined-contribution plans comes when an employee invests well and ends up flush in retirement money. If investments don't pan out as expected, however, it's the individual employee's retirement savings on the line. For that reason, employee enthusiasm for defined-contribution plans often mirrors the Dow Jones index. "When the market is doing well, people are very excited about defined contribution," says ALEC's Martin. "When the market is doing poorly, people get excited about defined benefit."

Florida learned that lesson the hard way. The state enacted a law in 2000 creating a defined-contribution plan and also making reforms to its defined-benefit plan, such as a shorter vesting period. The measure, passed at the height of the stock market boom, was designed mainly to compete for younger workers tempted by the private sector. It was estimated at the time that 30 percent of the state's 600,000 eligible public employees would switch into the defined-contribution plan.

Two years later, when it came time for people to make a decision, the market was severely battered. Furthermore, the nation had grown very familiar with the fate of some Enron workers and the complete evaporation of their retirement savings. Even though government defined-contribution plans don't allow risky investments in a single company, employees were skittish about the market and frightened about their retirement savings. Thus far, only 3 percent of Florida employees have actually exercised their option to switch plans--far below the 30 percent projection.

Other states that recently established optional defined-contribution plans saw similar results. In Ohio, a defined-contribution plan and a hybrid plan for teachers have attracted only 2.5 percent of existing employees and 25 percent of new hires. Even though the market was still soaring when Michigan introduced its defined-contribution plan in 1997, only 6 percent of employees decided to join.

The issue of risk also recently propelled the city of Alexandria, Virginia, to begin the process of switching from a defined-contribution plan to a defined-benefit plan for its police and firefighters. "With the changes in the stock market, we started asking ourselves, why do the employees have the investment risk," says finance director Daniel Neckel. "Why doesn't the city have the investment risk?"

HYBRIDS TO THE RESCUE?

Even though the stock market rebound is boosting investment returns, state and local governments still face intense budget pressures, and some are looking to hybrid plans for relief. On the brink of fiscal disaster, the state of Oregon was forced to completely overhaul its unusually generous pension system. Among the reforms, the state legislature agreed on a mandatory hybrid plan for new and existing employees.

Under the plan, which went into effect this year, employer contributions go into a defined-benefit fund, with a guaranteed retirement benefit. Employee contributions go into a defined-contribution fund, which employees can invest as they please and take with them if they leave the job. In some ways, the plan provides the best of both worlds. "That could be the trend," says Randy Taylor, senior vice president of CitiStreet, a private company that administers government defined-contribution plans. "A hybrid program giving members defined benefits but also allowing some self-direction."

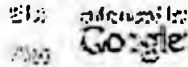
Nebraska's solution is also a hybrid, called a cash balance plan. Workers were given the option to keep whatever money was in their defined-contribution accounts, and to transfer it into the new cash balance account. All employees in the new plan still get a quarterly statement with their account balance, and can take whatever is in their account with them if they leave. But they no longer have control over the investments in the account. The money is now pooled and invested by the state, with a guaranteed return.

For Sullivan, the new plan provides an acceptable compromise. She is still frustrated by employees who cash out their savings for a big purchase when they leave government. But she is much more at ease with the investment activity. "I think that in a defined-benefit plan, your dollars work harder for you," she says. "For the same amount of money, you can provide a better benefit."

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April 10, 2005

E-mail story Print Most E-Mailed

Bush Points to a Retirement System With Mixed Results

By Peter G. Gosselin and Edwin Chan, Times Staff Writers

KIRTLAND, Ohio — President Bush came to Ohio on Friday to highlight a state retirement savings system that he said showed that Americans would be better off handling their own old-age investments through personal accounts than relying on traditional Social Security.

But that state's version of personal accounts has attracted few takers among the people eligible — Ohio's 750,000 public employees. And records show that the most widely chosen version of the state-offered accounts has racked up a five-year earning record of 1.86%, about the same return that the president says Social Security produces.

"Boy, does he have a hard sell ahead of him in using Ohio as his example," said Keith Brainard, research director of the National Assn. of State Retirement Directors, which represents virtually all of the nation's public employee pension plans.

"Ohio's individual account programs are only a few years old, and in the short time they've been around, investment returns have been relatively weak," Brainard said.

Coming two weeks before the end of his "60 Steps in 60 Days" campaign to convince the nation that Social Security needs to be reshaped, Bush's Ohio appearance illustrated the difficulty the president faced in promoting his plan to a nation edgy about a still-uncertain economic recovery and a stock market that had taken a steep dive in recent days.

Bush has proposed allowing workers under 55 to divert a portion of their Social Security taxes into private stock and bond accounts. In return, they would agree to a cut in their traditional Social Security benefit.

The president has said the private accounts should be part of a broader plan to shore up the shaky finances of the Social Security system. That broader, still-undefined plan might include further benefit cuts or tax increases.

But several recent polls show the president's proposal losing ground amid concerns that private accounts would require Americans to shoulder more economic risk for the possibility of a greater reward.

And the president's cause was unlikely to be helped by a stock market that wrapped up its worst week in two years Friday, with the Dow Jones industrial average diving 191 points.



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Hoy

The Dow slumped 3.6% for the week, and the tech-heavy Nasdaq index fell nearly 5%.

None of this appeared to faze Bush, however, as he took the stage at Lakeland Community College in Kirtland to lavish praise on an Ohio public employee retirement system that he said held important lessons for the White House and Congress in how to restructure Social Security.

"We need to come together in Washington ... to work on a permanent fix [for Social Security]. All options are on the table," Bush declared.

But he quickly suggested that any overhaul include personal accounts, which congressional Democrats have said they will adamantly oppose if — as Bush has proposed — they involve diverting payroll tax revenue from the existing system.

Part of any Social Security fix, the president told his audience, should be "to trust people with their own money, to devise a system that would work similar to the state of Ohio, that would say, 'We're going to let you earn a better rate of return for your money.'"

But in the biggest of Ohio's several state retirement programs, the popularity of the private accounts and the returns they produce are relatively low.

Ohio is one of half a dozen states that have begun to offer 401(k)-like retirement accounts through which eligible employees can invest in a handful of state-screened mutual funds or other portfolios.

Employees who choose accounts risk losing money if the value of their investments falls, but reap most of the reward if the value rises.

Ohio has continued to offer traditional pensions, where the state bears the risk and promises to pay retirees a certain amount for as long as they live. Employees can choose between the traditional pension and the private accounts, or pick a plan that mixes the two.

The state began offering the private accounts to state college faculties in 1998, and extended them to other workers early in this decade. Ohio has five major retirement systems for teachers, police, firefighters and other public employees.

It was unclear from the president's remarks and from an administration-issued news release which of the five plans Bush was discussing in his appearance Friday, or what option he was focusing on. The White House referred calls to spokesman Trent Duffy, who could not be reached.

But in the biggest of the state's plans — the 522,000-member Ohio Public Employees Retirement System, or OPERS — the personal account option has not proven particularly popular among state workers, or delivered a particularly good rate of return.

About 10,000 of those eligible for personal accounts — less than 5% — have signed up for the accounts since they became available at the start of 2003, according to Laurie Fiori Hacking, OPERS' executive director.

Of those who have chosen the accounts, most have directed that their money be invested in the system's "moderate" or "aggressive" pre-mixed portfolios, according to spokesman Richard Baker.

OPERS records show that the "moderate" account lost money in two of the last four years and during the first three months of this year. It posted a five-year annualized return of 1.86%.

That compares to the 1.8% that Bush said Friday was the rate of return for Social Security.

The OPERS "aggressive" portfolio had a five-year return of 0.26%.

Subject: Pers/Fers

Date: Sat, 23 Apr 2005 15:52:23 -0800

From: Lois Heine <lheine@northstar.k12.ak.us>

To: Fairbanks_LIO@legis.state.ak.us

Please be careful when making decisions on this retirement system. As an individual we already are putting money away for our retirement. I don't want to have more taken out and put into places where we have no control of them. You are taking over the rights of individuals with this bill. Please look into other areas, such as lengthening the time needed to retire, reducing medical benefits, but implementing a Health Savings Account that allows us to put away money from our checks to pay for deductibles and other medical costs in retirement.

I pray that you will make wise choices that will protect our benefits and those of future employees and also protect the state. Thank you.
Lois Heine



Alaska State Legislature

Please enter into the record my testimony to the House Finance committee name

committee on SB 141 bill/subject, dated 4/23/05

I am 45 years old and tired. I am a School Psychologist in Mat-Su and cannot see myself working until the age of 65. I strongly oppose any retirement that is a pure Defined Contribution Plan (D.C.P). A D.C.P. will significantly adversely affect the ability of school districts accross the state from recruiting and retaining quality educators. I want to retire with dignity as I was promised when I entered the TRS. Respectfully, Glen Ramos, Vice Pres, MSEA.

Signed: Glen Ramos

Testifier

MSEA NEA AK

Representing (Optional)

PO. Box 4002 PALMER, AK 99645

Mailing Address

(907) 745-2451

Phone Number



Alaska State Legislature

Please enter into the record my testimony to the House Finance Committee
committee name

committee on SB 141 dated 4-23-05

My name is ^{bill/subject} Lynn Kracke. I have been an Alaska resident since 1979 and a Valley resident since 1982. I am a Republican Supervisor and a public school employee.

I just came back from speaking with my Valley legislators in Juneau concerning the proposed changes in the public employee retirement system. I opposed the current proposed changes that include a strict defined contribution plan for future employees. It will severely inhibit the attraction and retention of education professionals and other public employees. I also oppose drastically changing the structures of the current PERS/TRS Boards.

Signed: Lynn D. Kracke

Testifier Mat-Su Educators

Representing (Optional) PO Box 1428 Palmer, AK 99645

Mailing Address (907) 745-2451

Phone Number

page 2 of 2 Lynn Kracke



Alaska State Legislature

Please enter into the record my testimony to the House Finance
committee name
committee on SB 141, dated 4-23-05
bill/subject

Please take the summer to appoint a task force that will carefully consider the testimony and research of the independent actuary hired by the Legislative Council, Joe Esuchenko. You need to consider the impact on Public Employees, not only employers. Don't make a knee jerk reaction based on Mercer's less than accurate figures.

Signed: Lynn Kracke
Testifier
Mat-Su education professionals
Representing (Optional)
PO Box 1428 Palmer, AK 99645
Mailing Address
(907) 745-2451
Phone Number

April 23, 2005

To Whom It Concerns:

I urge the rejection of SB 141 (also, similar bills HB 177 & HB 170).

There *may be* serious problems within the TRS & PERS retirement systems. However, the Legislature's reliance on sole source statistics must raise a *Red Flag* to all concerned voters, those in the PERS & TERS systems, and any elected representative seriously concerned with representing the people of Alaska. The statistics, especially the assumptions used to derive the numbers, need to be examined by a second, independent source acceptable to both political parties. *IF adopted*, SB 141 will negatively impact thousands of hard working Alaskan public servants. The accuracy and reliability of its statistical conclusions must be thoroughly verified *before* the draconian solutions offered by SB 141 are considered.

I labeled the changes made by SB 141 as draconian. The impacts on current and future PERS and TERS employees are highly negative. Hikes in the employee contributions to PERS and TERS, loss of disability & death benefits, other health care benefit reductions are draconian measures.

Forcing future employees into a defined contribution system (410K) will guarantee that top level managers & supervisors will not work for the state. When I moved to Alaska in 1985, the quality of the retirement programs in PERS & TERS were a key factor. Tier 1 and Tier 2 were excellent programs. Tier 3 is marginal, but at least somewhat competitive. The proposed Tier 4 is simply a joke. If the state thinks there is a loss of its young to the lower-48 now, it will be shocked when its children moved outside rather than work for the state.

I will retire in just a few years. I had planned to remain in Alaska after retirement. The loss of the COLA for retirees in SB 141 sends a message to me and many others who helped build this state.

I will be blunt. There are two senators from the Mat-Su region I will be criticizing in the future. One I will be honored to vote against. Over 25 friends are now committed to vote against one or the other. Carl Gato, I live in your district. You voted SB 141 out of committee. IF SB 141 passes, expect to lose a substantial number of fire service votes.

Johnny Murdock
PO Box 872671
Wasilla, AK 99687
Assistant Fire Chief
Mat-Su Emergency Services Dept.





Alaska State Legislature

Please enter into the record my testimony to the House Finance Committee
committee name

committee on SB 141, dated 4/23/05
bill/subject

My name is Doug Wright. I've been an employee of the Matanuska-Susitna Borough for 14 years. I do not support SB 141, I recommend you slow down and get an accurate account of the true costs of the current PERS program. I believe if the proposed changes to the current PERS system take place, it will be impossible to attract qualified, quality employees to fill the void as our current employees begin to retire. I am very concerned about the elimination of the 'Death Benefit': Why would any police officer or firefighter consider staying in Alaska? I ask that you please do not pass this legislation but look at other options. Also, current employees consider their current benefits a condition of employment and do not wish to have the contribution from their paychecks increased.

Signed: D Wright
Testifier

MSBEA
Representing (Optional)
HC 30 Box 5328-7 Wasilla, Alaska 99654
Mailing Address
1-907-376-4185
Phone Number



Alaska State Legislature

Please enter into the record my testimony to the House Finance Committee
Committee name

Committee on SB 141, dated April 23, 2005
Bill/Subject

Thank you, Committee Chairs and members, for the opportunity to testify today on the proposed changes to the TRS/PERS system. After 25 years of teaching special education in the Mat Su Borough School District, I now am serving as Assistant Director for Special Education. For the first time, I am involved in recruiting & recommending for hire certified special education teachers and specialists in our district.

This morning, I was on the phone with a speech therapy candidate in Indiana. As you know, we →

Signed: Lucy Hope
Testifier

self
Representing (Optional)

2901 Cottle Loop Wasilla AK 99654
Address

376-4796
Phone number

Page 1 Lucy Hope

Page 2 of 2

Thank you, Guy Hope

This applicant had two questions for me. The first was "What type of retirement system do you have?" This has become a much more common concern among people new to the education profession. I am sorry to report, after telling this person about the proposed possible changes to yes she thanked me and said she is not interested in working here.

This is the reality that districts will face if this goes forward, I ask the committee to think of the unintended consequences of these proposed changes, slow down this process and rethink the defined contribution proposal.

do not have a University program in Alaska to graduate speech therapists, therefore we must hire all of our applicants from outside the state. Also, as you know, this is an area of national, statewide, and local district shortage.

Page 1 of 2 GLEN RAMOS



Alaska State Legislature

Please enter into the record my testimony to the House Finance
Committee name

Committee on SB 141, dated 4/23/05
Bill/Subject

Thank you for reviewing my testimony.
I hope you gave Mr. Tom Harvey Ex Director
of NEA Alaska an opportunity to give
public testimony. I support Mr. Harvey
and the position he has offered as a
leader of educators and public employees
of Alaska.

I ask that you slow this process down
and gather comprehensive information from
a wide range of stakeholders regarding
the PERS/TRS programs. Please re-evaluate
the information provided by Mercer and apply
actuarial data based on Alaska experience.

Signed: Glen Ramos
Testifier

Mat-Su Education Association NEA Alaska
Representing (Optional)

P.O. Box 4002 Palmer AK 99645
Address

(907) 745-2451
Phone number



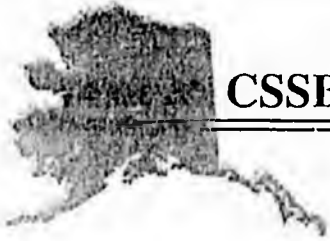
**Retirement Security
Act**

CSSB 141(FIN)

**Background
&
Overview**

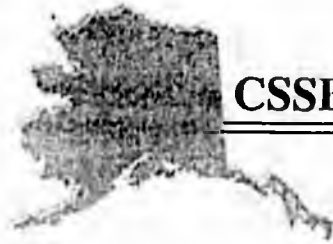


Alaska State Legislature
Senate Finance Committee



CSSB 141 Overview





The **Retirement Security Act** will

- Strengthen Management & Fiduciary Oversight
- Improve Our Ability to Predict and Control Costs
- Constrain the Growth of the Unfunded Liability
- Provide Near Term Financial Relief to Employers
- Pave the Way For Developing a Long-term Financial Fix

While still maintaining our principle objectives of

- Ensuring the Solvency of Alaska's Retirement System
- Maintaining the Attractiveness of Public Sector Employment
- Recruiting and Retaining Talent

RSA Improves the Long-term Health and Security of Our Retirement System





CSSB 141 – Key Elements:

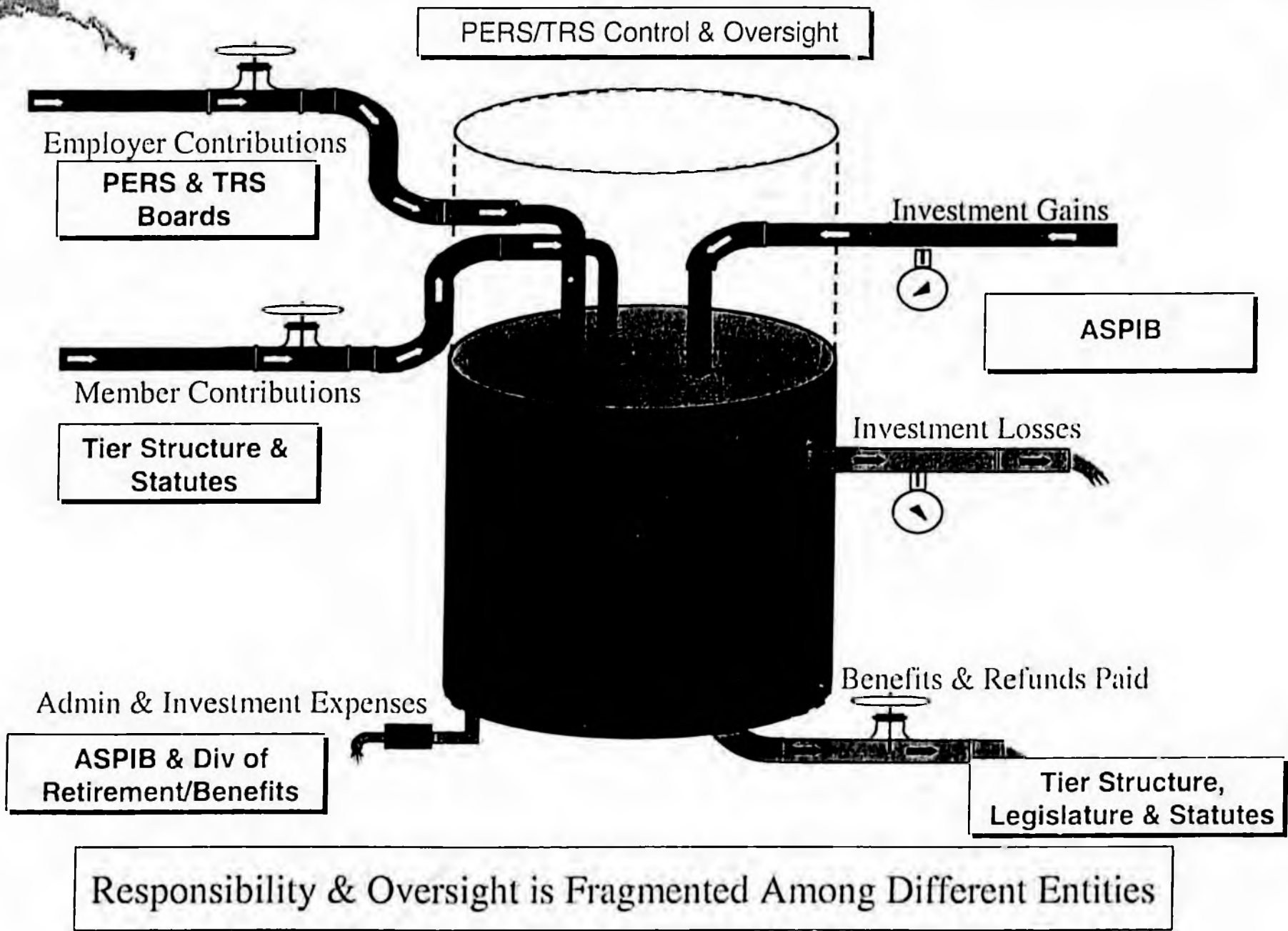
- Replaces the existing boards (PERS, TRS, ASPIB) with a new 9-member Alaska Retirement Management Board (ARMB)
- Provides more employer representation on the board; strengthens the board's fiduciary responsibilities; gives the board responsibility for setting employer contribution rates and for adopting actuarial assumptions
- Transfers the responsibility for hearing waivers and appeals to the Office of Administrative Hearings
- Increases payroll contributions for existing employees by 0.5% annually until employers and employees share normal costs 50/50
- Establishes a Defined Contribution (DC) Plan, Retiree Medical Benefit and Health Reimbursement arrangement for new employees





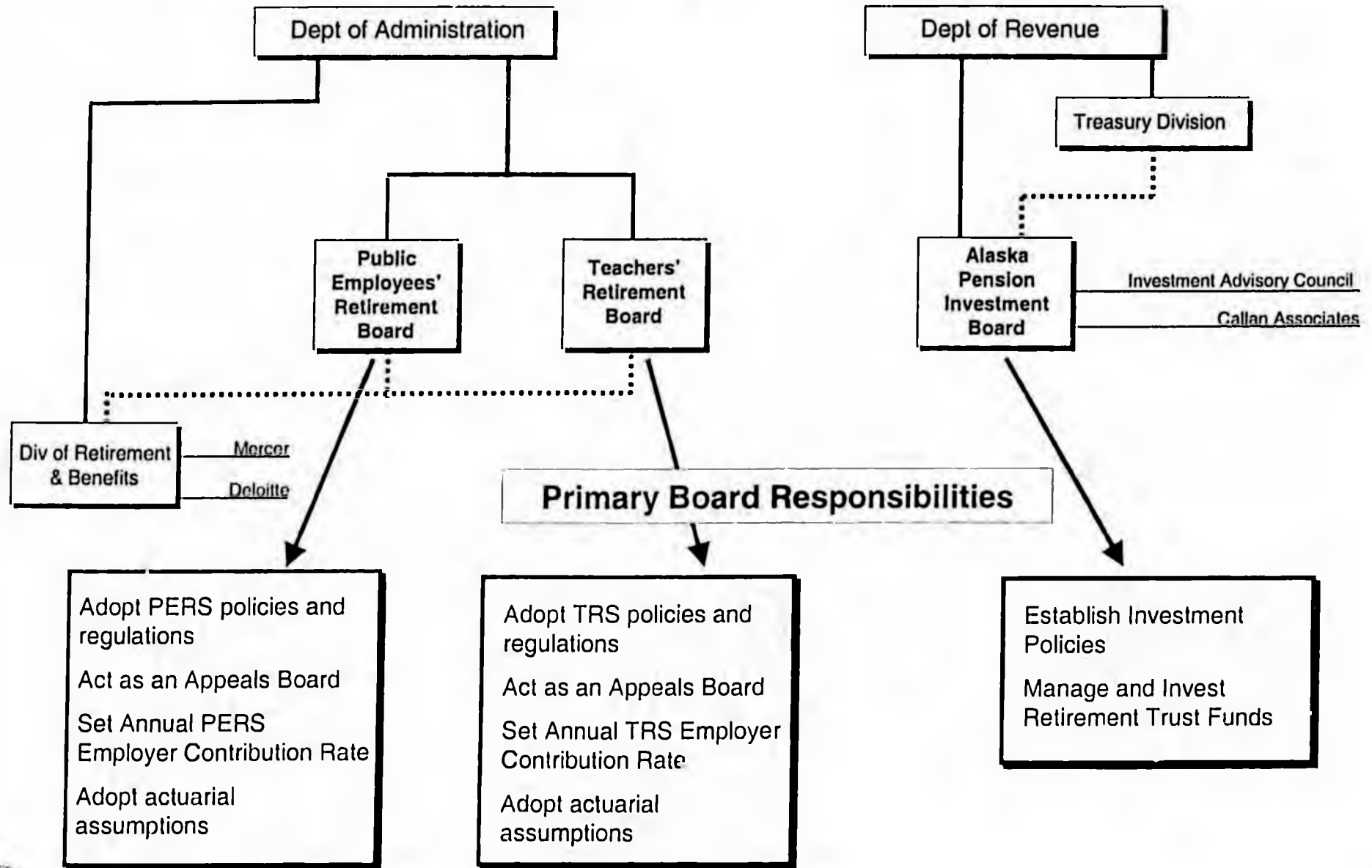
Board Restructuring







Current Retirement System Organization





Retirement System Oversight Should Be Designed To:

- Guide and evaluate system performance
- Provide long-term strategic and financial planning
- Ensure the assets and liabilities of the systems are balanced
- Implement formal system of checks and balances
- Work in the best interests of the state and its public employees





Retirement Board Must Be

- Representative of all system stakeholders
- Experienced and knowledgeable in relevant financial, accounting and investing issues
- Empowered to address systemic problems
- Impartial
- Ir.dependent

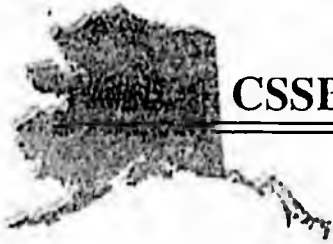




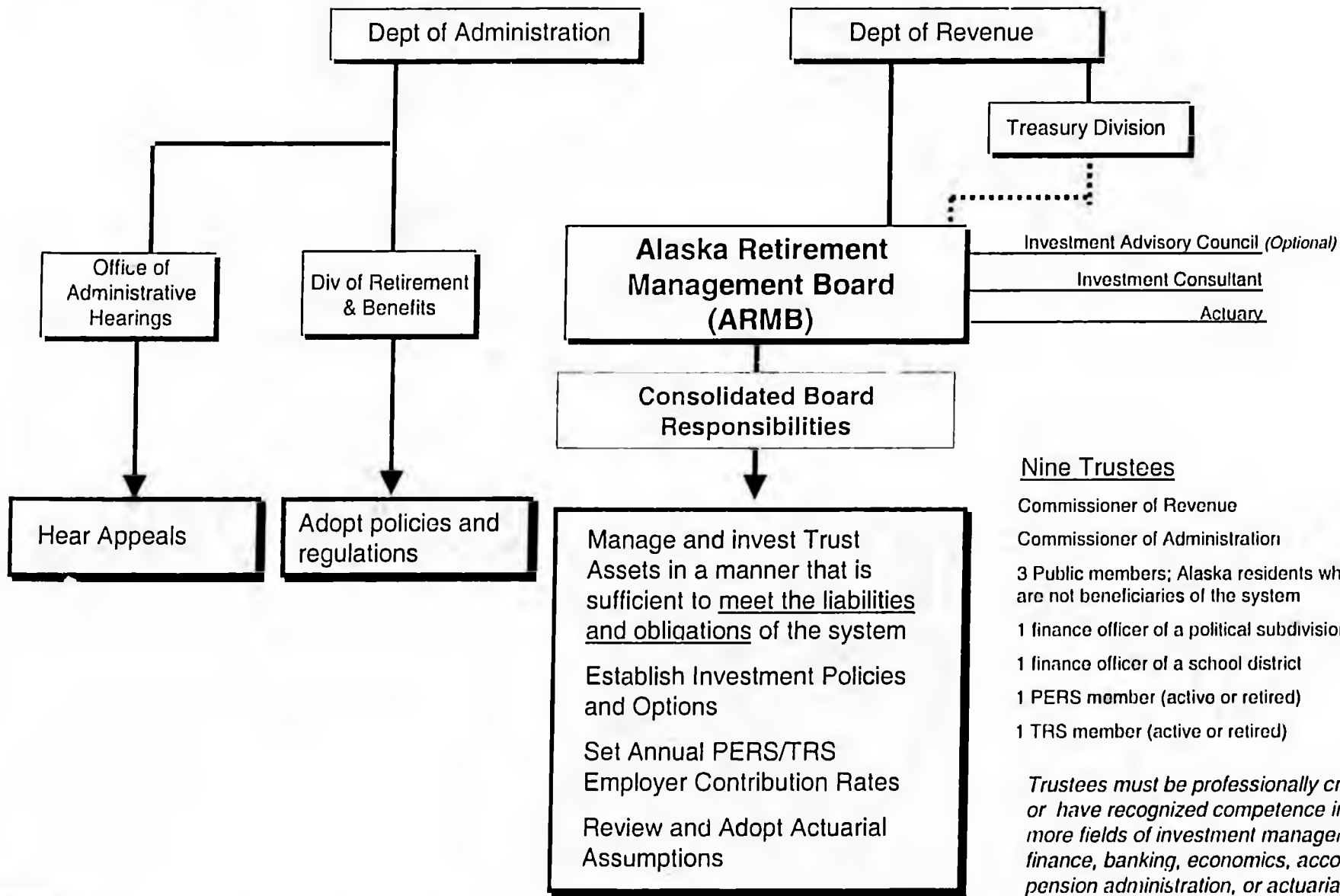
SB 141 Board Restructuring is Designed to:

- Strengthen the fiduciary oversight of the entire retirement system
- Place system assets and liabilities within the purview of one authority
- Increase the frequency of reviewing, adopting and reporting actuarial assumptions
- Increase employer representation on the board
- Establish minimum professional qualifications for board membership
- Move the quasi-judicial appeals process to the Office of Administrative Hearings
- Empower the Commissioner of Administration to set policies and regulations for day to day system operations





SB 141 Retirement System Organization





Board Adopted Employer Contribution Rates – FY '90 thru FY '07

Mercer Data Year	Board Adopt Year	Rate for FY	PERS					TRS						
			PERS Funding Ratio	Employer Normal Rate	Past Service Rate	Actuarial Computed Rate	Board Adopted Rate	Diff Computed Rate	TRS Funding Ratio	Employer Normal Rate	Past Service Rate	Actuarial Computed Rate	Board Adopted Rate	Diff Computed Rate
1987	1988	1990	100.0%	9.23%	0.07%	9.30%	9.30%	0.00%	101.0%	9.14%	-0.95%	8.19%	11.64%	3.45%
1988	1989	1991	93.0%	10.37%	1.63%	12.00%	12.00%	0.00%	98.8%	11.86%	0.41%	12.27%	10.54%	-1.73%
1989	1990	1992	91.6%	12.00%	2.20%	14.20%	14.20%	0.00%	95.0%	13.26%	1.90%	15.16%	11.87%	-3.29%
1990	1991	1993	97.2%	12.83%	0.75%	13.58%	13.58%	0.00%	87.7%	14.07%	5.58%	19.65%	12.00%	-7.65%
1991	1992	1994	88.1%	10.18%	3.54%	13.72%	13.72%	0.00%	85.7%	9.05%	6.54%	15.59%	12.00%	-3.59%
1992	1993	1995	91.2%	10.90%	2.80%	13.70%	13.70%	0.00%	89.7%	8.57%	4.79%	13.36%	12.00%	-1.36%
1993	1994	1996	95.4%	11.29%	1.53%	12.82%	12.82%	0.00%	93.1%	9.06%	3.42%	12.48%	12.00%	-0.48%
1994	1995	1997	94.8%	10.36%	1.78%	12.14%	12.14%	0.00%	89.6%	9.70%	5.26%	14.96%	12.00%	-2.96%
1995	1996	1998	96.5%	10.61%	1.29%	11.90%	8.00%	-3.90%	90.9%	10.10%	4.84%	14.94%	12.00%	-2.94%
1996	1997	1999	105.8%	9.85%	-2.11%	7.74%	7.74%	0.00%	97.2%	8.97%	1.55%	10.52%	12.00%	1.48%
1997	1998	2000	106.3%	9.89%	-2.53%	7.36%	7.74%	0.38%	94.0%	9.21%	3.79%	13.00%	12.00%	-1.00%
1998	1999	2001	105.9%	8.67%	-1.64%	7.03%	7.40%	0.37%	97.7%	8.99%	1.56%	10.55%	12.00%	1.45%
1999	2000	2002	105.5%	8.07%	-1.51%	6.56%	6.75%	0.19%	102.5%	8.88%	-1.79%	7.09%	11.00%	3.91%
2000	2001	2003	101.1%	5.43%	0.69%	6.12%	6.75%	0.63%	99.6%	9.40%	-1.11%	8.29%	11.00%	2.71%
2001	2002	2004	100.9%	5.42%	1.35%	6.77%	6.77%	0.00%	95.0%	10.33%	4.11%	14.44%	12.00%	-2.44%
2002	2003	2005	75.2%	13.31%	11.60%	24.91%	11.77%	-13.14%	68.2%	14.76%	20.81%	35.57%	16.00%	-19.57%
2003	2004	2006	72.8%	13.24%	12.39%	25.63%	16.77%	-8.86%	64.3%	14.28%	24.57%	38.85%	21.00%	-17.85%
2004	2005	2007	70.2%	13.32%	14.87%	28.19%	TBD	TBD	62.8%	13.76%	28.02%	41.78%	TBD	TBD

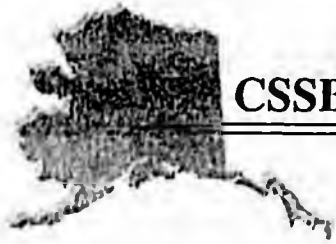
- Currently, the PERS/TRS boards set the annual Employer Contribution Rate
- When the boards adopt a rate below the Employer Normal Cost Rate, the unfunded liability may increase
- SB 141 requires the Board to adopt an Employer Contribution Rate no-less-than the Employer Normal Cost Rate





*Appeals Process to Office
of Administrative
Hearings*





Office of Administrative Hearings (OAH)

- Office was established by SB 203 (ch. 163, SLA 2004) with the goals of
 - Providing better public service through a higher level of due process
 - Improving hearing efficiencies for both government and public
 - Cutting hearing costs to both government and public
 - Improving impartial decision-making





Office of Administrative Hearings (OAH)

- Conduct administrative appeals, evidentiary hearings, dispute resolution and adjudication for
 - Child support services
 - Occupational licensing (*including tobacco enforcement and real estate surety claims*)
 - Permanent Fund Dividend eligibility
 - Other (*taxation, contracts/procurement, permitting, crime victim compensation, benefits programs*)
- All these types of appeals of decisions made by government impact people's families, their businesses, their income





Benefits of Transfer of Appeals Hearing Function

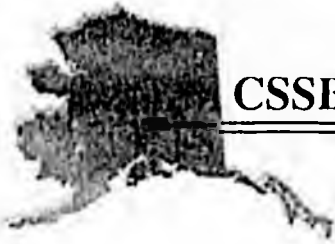
- Operates under the supervision of a chief administrative law judge
- Impartial and highly trained adjudicator to hear cases
- Timely resolution for appellants
- Cost savings: 1 administrative law judge replaces 10 board members
- Decisions of the OAH may still be appealed to Superior Court





*Increasing Contribution
Rates for Existing Public
Employees*





Contribution Rate Setting Process

- Each year, the actuary computes the **Normal Cost Rate** for the next contribution year
- The **Normal Cost Rate** is simply *the percent of payroll required to pay for the benefits expected to be earned by all members during the coming contribution year*
- The process runs two fiscal years in advance – for example, the FY 07 Normal Cost Rate was estimated this month by the state's actuary

	<u>FY 07 Normal Costs</u>	
	PERS	TRS
Medical cost component	8.86%	8.75%
<u>Pension component</u>	<u>11.27%</u>	<u>13.69%</u>
Normal Cost Rate	20.13%	22.44%





Contribution Rate Setting Process

- If our economic, demographic, and financial projections were always correct – the annually reviewed **Normal Cost Rate** would fully fund the retirement system
- Unfortunately, those projections can never be 100% accurate
- If too much was contributed, the system is overfunded; if too little, it is underfunded
- The actuary amortizes the unfunded amount over 25 years and computes a **Past Service Rate**
- The **Past Service Rate** is *the additional percent of payroll required to begin paying off the unfunded liability*





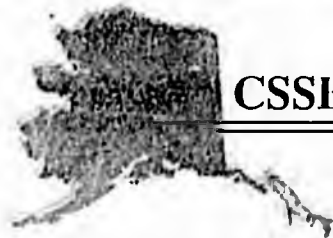
Contribution Rate Setting Process

- Once the **Normal Cost Rate** and the **Past Service Rate** are known, the employer's total contribution rate is calculated as follows:

		FY 07 Contribution Rates	
		PERS	TRS
	Normal Cost Rate	20.13%	22.44%
<i>Less</i>	Employee Contribution*	(6.81)%	(8.68)%
<i>Equals</i>	Employer Normal Cost	13.32%	13.76%
<i>Plus</i>	Past Service Rate	14.87%	28.02%
<i>Total</i>	Employer Contribution	28.19%	41.78%

* Employee Contribution Rate shown is the average rate for all members of the systems. Actual rates vary by employee class and are 6.75%, 7.5% or 9.0% for PERS and 8.65% or 9.65% for TRS





Weaknesses of the Process

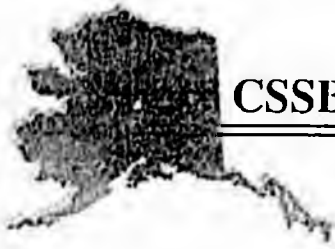
- The Employee Contribution rate is set in statute, so *any increase in the Normal Cost Rate is borne entirely by the employer*

		FY 07 Contribution Rates	
		PERS	TRS
	Normal Cost Rate	20.13%	22.44%
<i>Less</i>	Employee Contribution*	(6.81)%	(8.68)%
<i>Equals</i>	Employer Normal Cost	13.32%	13.76%
<i>Plus</i>	Past Service Rate	14.87%	28.02%
<i>Total</i>	Employer Contribution	28.19%	41.78%

- These are the actuary's recommended rates....currently, *the PERS and TRS boards may adopt different rates*
- When the boards adopt lower rates, our unfunded liability increases

* Employee Contribution Rate shown is the average rate for all members of the systems. Actual rates vary by employee class and are 6.75%, 7.5% or 9.6% for PERS and 8.65% or 9.65% for TRS





SB 141 Addresses these Weaknesses

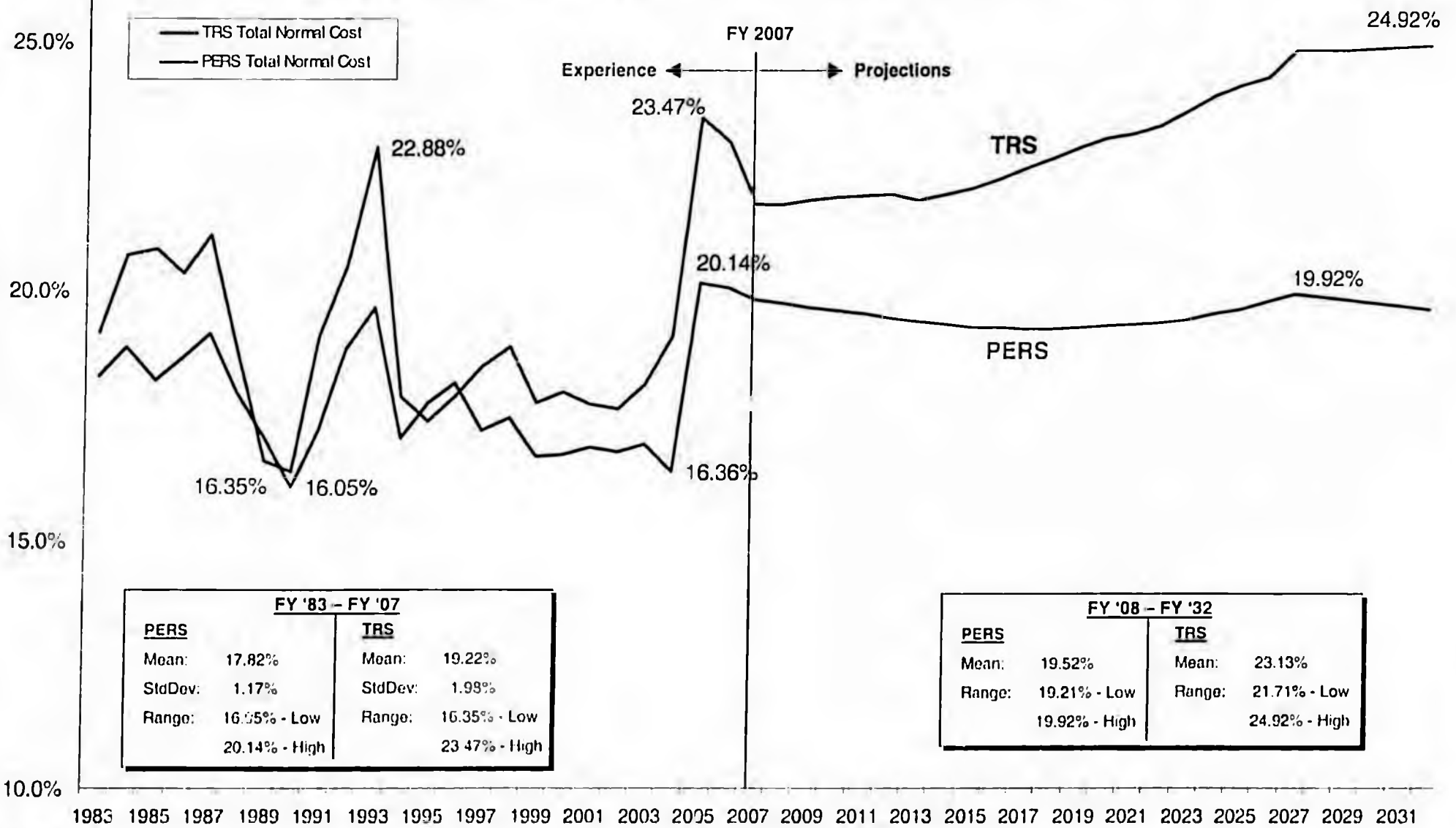
1. Sets the employee's contribution to the greater of:
 - Current statutory rate or
 - $\frac{1}{2}$ of the Normal Cost Rate
 - With the additional provision that the increase may not exceed 0.50% annually

2. Requires the new Alaska Retirement Management Board (ARMB) to adopt a contribution rate that is no less than the actuarially computed Employer Normal Cost Rate





Historical & Projected Total Normal Cost Rate



FY '83 – FY '07	
<u>PERS</u>	<u>TRS</u>
Mean: 17.82%	Mean: 19.22%
StdDev: 1.17%	StdDev: 1.98%
Range: 16.05% - Low 20.14% - High	Range: 16.35% - Low 23.47% - High

FY '08 – FY '32	
<u>PERS</u>	<u>TRS</u>
Mean: 19.52%	Mean: 23.13%
Range: 19.21% - Low 19.92% - High	Range: 21.71% - Low 24.92% - High





Employers are Paying the Majority of the Normal Cost

FY 07 Normal Cost Rates

	PERS	Share	TRS	Share
Total Normal Cost	20.13%	100%	22.44%	100%
Employee Cost*	6.81%	33.8%	8.68%	38.7%
Employer Cost	13.32%	66.2%	13.76%	61.3%

Currently, increases in the Normal Cost are borne entirely by the employer

* Employee Contribution Rate shown is the average rate for all members of the systems. Actual rates vary by employee class and are 6.75%, 7.5% or 9.6% for PERS and 8.65% or 9.65% for TRS





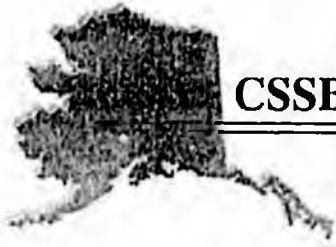
Employee Contribution Rates Haven't Increased
Since 1987 in PERS and 1991 in TRS

Statutory Changes in Employee Contribution Rates

PERS	Before 1/1/87	Since 1/1/87	Since 7/1/99	FY 07 Average
Police/Fire	5.00%	7.50%	7.50%	6.81%
All Others	4.25%	6.75%	6.75%	
School Districts*			9.60%	
TRS		Before 1/1/91	Since 1/1/91	FY 07 Average
Most Members		7.00%	8.00%	8.68%
Supplemental Plan**		8.65%	9.65%	

- * Beginning in 7/1/99, school district PERS members can elect the higher 9.6% contribution rate and receive a full year of service credit for 9 months vs. contributing 6.75% for 12 months
- * * TRS Members who joined the system before 7/1/82 and elected to participate in the supplemental contributions provision are required to contribute an additional 1% of their salaries





Constitution of the State of Alaska

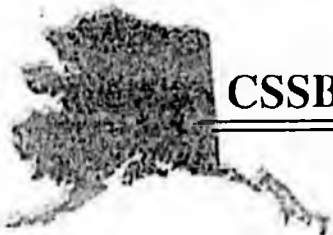
Article XII – Section 7

Retirement Systems. *Membership in employee retirement systems of the State or its political subdivisions shall constitute a contractual relationship. Accrued benefits of these systems shall not be diminished or impaired.*

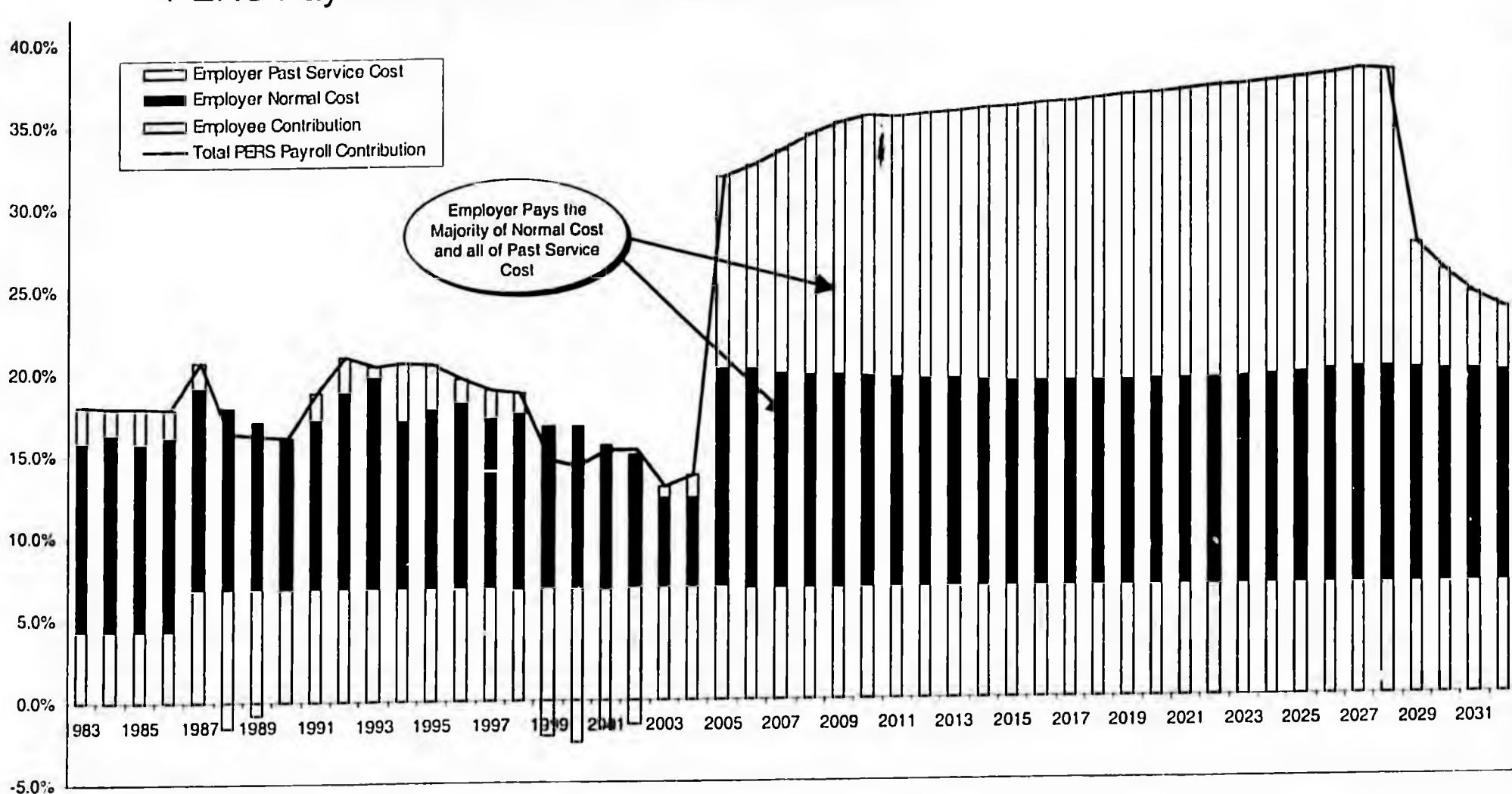
Normal Cost Rate *is the cost of benefits expected to be earned during the coming contribution year*

- We contend that employee contributions applied towards the **Normal Cost Rate** are not part of the accrued benefit to which members are entitled
- An accrued benefit is one that has already been earned – not one that has yet to be earned
- Benefit rights accrue as they are earned – year to year
- Employee contributions cannot be changed retroactively to pay for past benefits (Past Service Costs or any unfunded liability), but they can be changed prospectively to pay for future benefits





PERS Payroll Contribution Trend & Forecast





CSSB 141(FIN) – Retirement Security Act

Increasing Contribution Rates of Existing Employees

PERS Employee Normal Rate Projections

PERS - Average All Employees								
Rate for FY	Total Normal Cost	Projections at Current Rate			Projections at SB 141 Rate			
		Employee Normal Cost Rate	Employee Share of Total Normal Cost	Employer Share of Total Normal Cost	50% of Total Normal Cost	SB 141 Employee Rate	Resulting Employee Share	Increase Over Previous FY
2006	20.05%	6.81%	34.0%	66.0%	10.03%	7.33%	36.6%	0.50%
2007	19.80%	6.81%	34.4%	65.6%	9.90%	7.83%	39.5%	0.50%
2008	19.73%	6.81%	34.5%	65.5%	9.87%	8.33%	42.2%	0.50%
2009	19.66%	6.81%	34.6%	65.4%	9.83%	8.83%	44.9%	0.50%
2010	19.58%	6.81%	34.8%	65.2%	9.79%	9.33%	47.7%	0.50%
2011	19.52%	6.81%	34.9%	65.1%	9.76%	9.76%	50.0%	0.43%
2012	19.44%	6.81%	35.0%	65.0%	9.72%	9.72%	50.0%	-0.04%
2013	19.38%	6.81%	35.1%	64.9%	9.69%	9.69%	50.0%	-0.03%
2014	19.31%	6.81%	35.3%	64.7%	9.66%	9.66%	50.0%	-0.04%
2015	19.25%	6.81%	35.4%	64.6%	9.63%	9.63%	50.0%	-0.03%
2016	19.26%	6.81%	35.4%	64.6%	9.63%	9.63%	50.0%	0.00%
2017	19.23%	6.81%	35.4%	64.6%	9.62%	9.62%	50.0%	-0.01%
2018	19.21%	6.81%	35.5%	64.5%	9.61%	9.61%	50.0%	-0.01%
2019	19.24%	6.81%	35.4%	64.6%	9.62%	9.62%	50.0%	0.01%
2020	19.27%	6.81%	35.3%	64.7%	9.64%	9.64%	50.0%	0.02%
2021	19.31%	6.81%	35.3%	64.7%	9.66%	9.66%	50.0%	0.02%
2022	19.36%	6.81%	35.2%	64.8%	9.68%	9.68%	50.0%	0.03%
2023	19.42%	6.81%	35.1%	64.9%	9.71%	9.71%	50.0%	0.03%
2024	19.52%	6.81%	34.9%	65.1%	9.76%	9.76%	50.0%	0.05%
2025	19.63%	6.81%	34.7%	65.3%	9.82%	9.82%	50.0%	0.05%
2026	19.76%	6.81%	34.5%	65.5%	9.88%	9.88%	50.0%	0.06%
2027	19.92%	6.81%	34.2%	65.8%	9.96%	9.96%	50.0%	0.08%
2028	19.86%	6.81%	34.3%	65.7%	9.93%	9.93%	50.0%	-0.03%
2029	19.79%	6.81%	34.4%	65.6%	9.90%	9.90%	50.0%	-0.04%
2030	19.73%	6.81%	34.5%	65.5%	9.87%	9.87%	50.0%	-0.03%
2031	19.68%	6.81%	34.6%	65.4%	9.84%	9.84%	50.0%	-0.03%
2032	19.63%	6.81%	34.7%	65.3%	9.82%	9.82%	50.0%	-0.03%

SB 141 Proposes to split the Total Normal Cost 50/50 between Employer and Employee

However, the Employee Rate could never increase by more than 0.50% a year

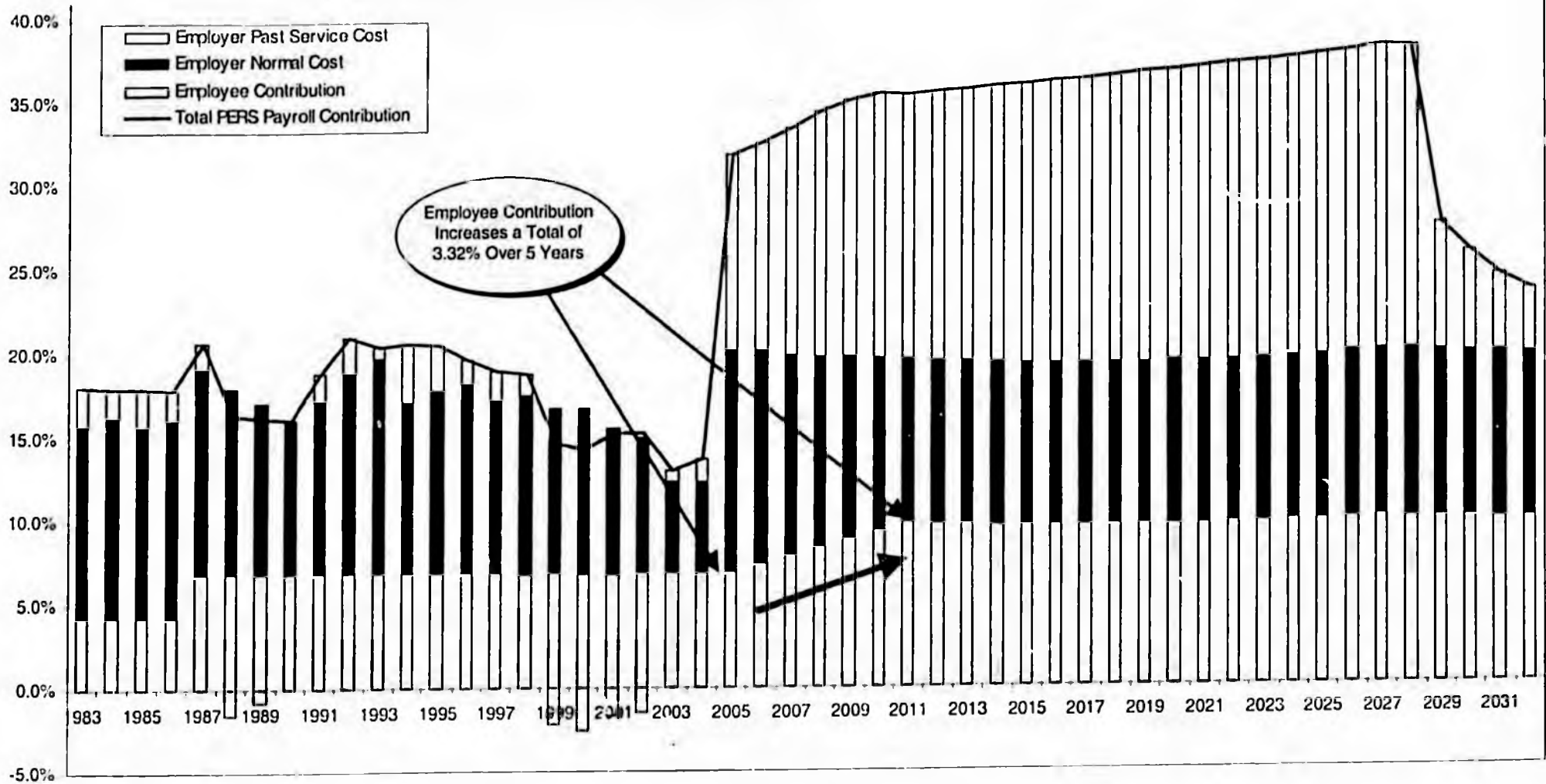
Based on current Mercer projections, it would take 6 years to reach the 50/50 shared rate

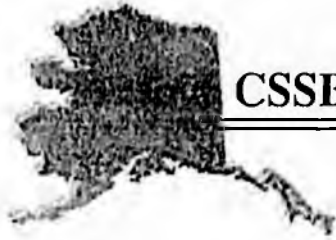
If Normal Costs drop in the future, employer and employee rates would drop accordingly





PERS Forecast with SB 141 Language





Effect of Employee Contribution Rate Increases on Average PERS Employee

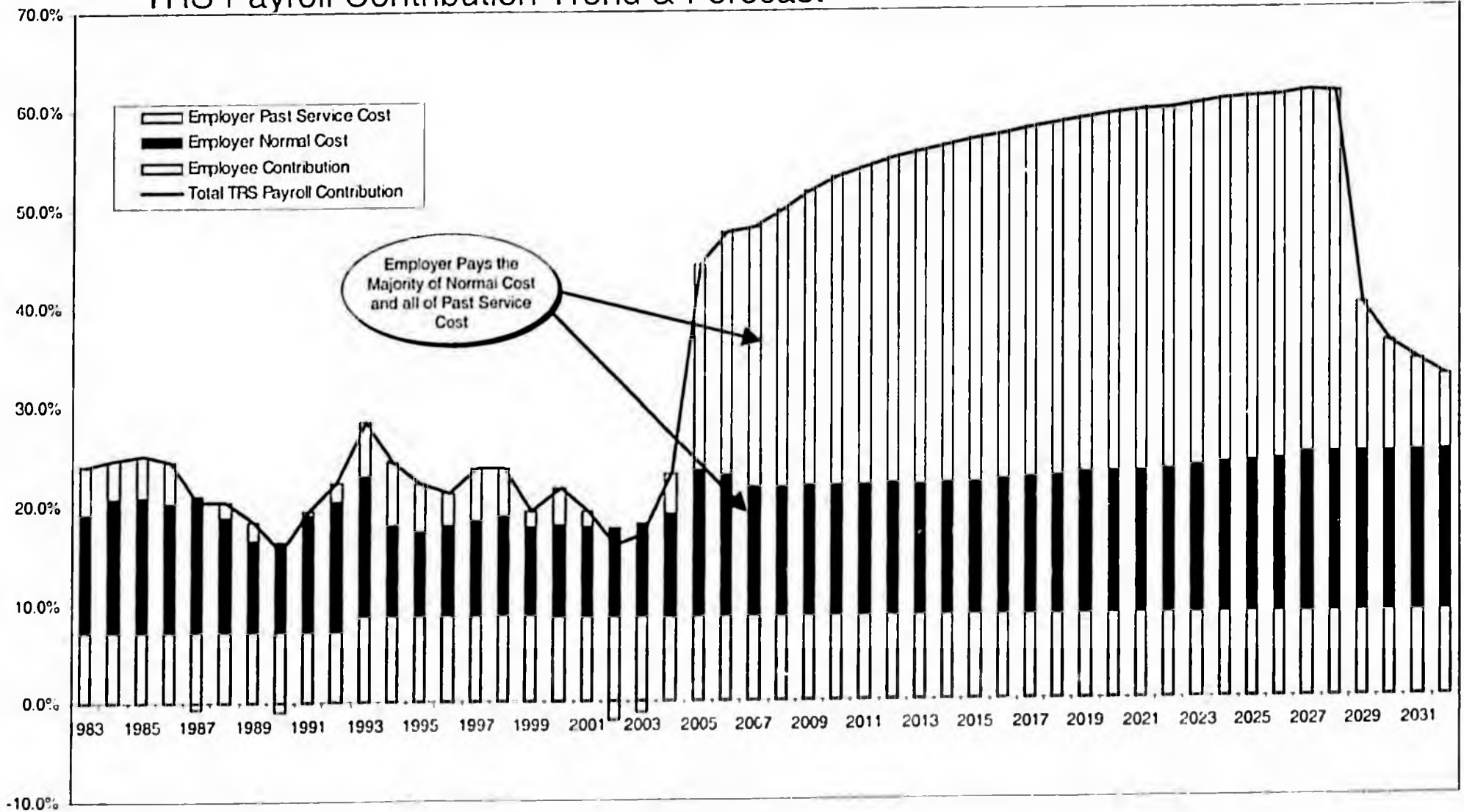
PERS 2004	Annual Earnings	Monthly Earnings	2-Week Pay	Normal Cost	50% Normal Cost	Current Rate @	SB 141 Proposed Pre-Tax Payroll Deductions (every 2 weeks)						Cumulative Increase
							FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	
							7.25%	7.75%	8.25%	8.75%	9.25%	9.75%	
ASEA GG 1-A Range 5-A	\$ 20,436.00	\$ 1,703.00	\$ 851.50	\$ 57.48	\$ 61.73	\$ 65.99	\$ 70.25	\$ 74.51	\$ 78.76	\$ 83.02	\$ 85.70		
				Yr to Yr Increase	\$ 4.26	\$ 4.26	\$ 4.26	\$ 4.26	\$ 4.26	\$ 4.26	\$ 2.68	\$ 28.23	
ASEA GG 1-A Range 10-A	\$ 27,168.00	\$ 2,264.00	\$ 1,132.00	\$ 76.41	\$ 82.07	\$ 87.73	\$ 93.39	\$ 99.05	\$ 104.71	\$ 110.37	\$ 113.94		
				Yr to Yr Increase	\$ 5.66	\$ 5.66	\$ 5.66	\$ 5.66	\$ 5.66	\$ 5.66	\$ 3.57	\$ 37.53	
ASEA GG 1-A Range 15-A	\$ 37,260.00	\$ 3,105.00	\$ 1,552.50	\$ 104.79	\$ 112.56	\$ 120.32	\$ 128.08	\$ 135.84	\$ 143.61	\$ 151.37	\$ 156.26		
				Yr to Yr Increase	\$ 7.76	\$ 7.76	\$ 7.76	\$ 7.76	\$ 7.76	\$ 7.76	\$ 4.89	\$ 51.47	
ASEA GG 1-A Range 17-A	\$ 42,852.00	\$ 3,571.00	\$ 1,785.50	\$ 120.52	\$ 129.45	\$ 138.38	\$ 147.30	\$ 156.23	\$ 165.16	\$ 174.09	\$ 179.71		
				Yr to Yr Increase	\$ 8.93	\$ 8.93	\$ 8.93	\$ 8.93	\$ 8.93	\$ 8.93	\$ 5.62	\$ 59.19	
Average PERS Members	\$ 43,823.00	\$ 3,651.92	\$ 1,825.96	\$ 123.25	\$ 132.38	\$ 141.51	\$ 150.64	\$ 159.77	\$ 168.90	\$ 178.03	\$ 183.78		
				Yr to Yr Increase	\$ 9.13	\$ 9.13	\$ 9.13	\$ 9.13	\$ 9.13	\$ 9.13	\$ 5.75	\$ 60.53	
ASEA GG 1-A Range 27-A	\$ 79,320.00	\$ 6,610.00	\$ 3,305.00	\$ 223.09	\$ 239.61	\$ 256.14	\$ 272.66	\$ 289.19	\$ 305.71	\$ 322.24	\$ 332.65		
				Yr to Yr Increase	\$ 16.53	\$ 16.53	\$ 16.53	\$ 16.53	\$ 16.53	\$ 16.53	\$ 10.41	\$ 109.56	

Estimate is based on FY 07 Total Normal Cost for PERS "Other" and assumed to be fixed for FY 07 to FY 12





TRS Payroll Contribution Trend & Forecast





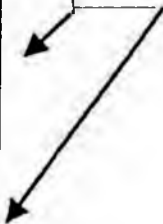
CSSB 141(FIN) – Retirement Security Act

*Increasing Contribution Rates
of Existing Employees*

TRS Employee Normal Rate Projections

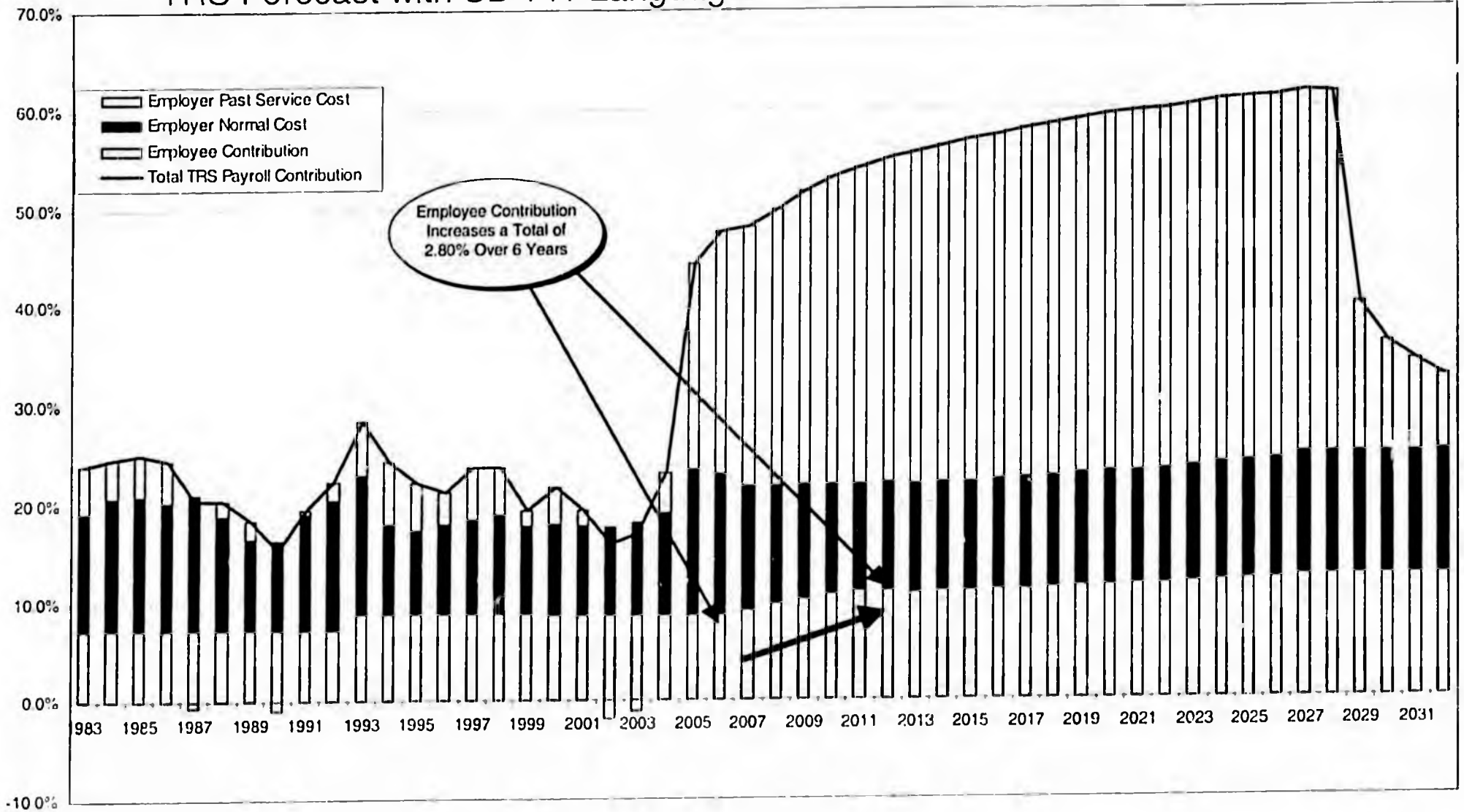
TRS - Average Rate								
Rate for FY	Total Normal Cost	Projections at Current Rate			Projections at SB 141 Rate			
		Employee Normal Cost Rate	Employee Share of Total Normal Cost	Employer Share of Total Normal Cost	50% of Total Normal Cost	SB 141 Employee Rate	Resulting Employee Share	Increase Over Previous FY
2006	22.97%	8.69%	37.8%	14.28%	11.49%	9.21%	40.1%	0.50%
2007	21.71%	8.69%	40.0%	13.02%	10.86%	9.71%	44.7%	0.50%
2008	21.72%	8.69%	40.0%	13.03%	10.86%	10.21%	47.0%	0.50%
2009	21.81%	8.69%	39.8%	13.12%	10.91%	10.71%	49.1%	0.50%
2010	21.87%	8.69%	39.7%	13.18%	10.94%	10.94%	50.0%	0.22%
2011	21.90%	8.69%	39.7%	13.21%	10.95%	10.95%	50.0%	0.01%
2012	21.93%	8.69%	39.6%	13.24%	10.97%	10.97%	50.0%	0.01%
2013	21.81%	8.69%	39.8%	13.12%	10.91%	10.91%	50.0%	-0.06%
2014	21.94%	8.69%	39.6%	13.25%	10.97%	10.97%	50.0%	0.07%
2015	22.06%	8.69%	39.4%	13.37%	11.03%	11.03%	50.0%	0.06%
2016	22.24%	8.69%	39.1%	13.55%	11.12%	11.12%	50.0%	0.09%
2017	22.44%	8.69%	38.7%	13.75%	11.22%	11.22%	50.0%	0.10%
2018	22.66%	8.69%	38.3%	13.97%	11.33%	11.33%	50.0%	0.11%
2019	22.88%	8.69%	38.0%	14.19%	11.44%	11.44%	50.0%	0.11%
2020	23.05%	8.69%	37.7%	14.36%	11.53%	11.53%	50.0%	0.09%
2021	23.16%	8.69%	37.5%	14.47%	11.58%	11.58%	50.0%	0.05%
2022	23.30%	8.69%	37.3%	14.61%	11.65%	11.65%	50.0%	0.07%
2023	23.60%	8.69%	36.8%	14.91%	11.80%	11.80%	50.0%	0.15%
2024	23.92%	8.69%	36.3%	15.23%	11.96%	11.96%	50.0%	0.16%
2025	24.11%	8.69%	36.0%	15.42%	12.06%	12.06%	50.0%	0.10%
2026	24.27%	8.69%	35.8%	15.58%	12.14%	12.14%	50.0%	0.08%
2027	24.81%	8.69%	35.0%	16.12%	12.41%	12.41%	50.0%	0.27%
2028	24.81%	8.69%	35.0%	16.12%	12.41%	12.41%	50.0%	0.00%
2029	24.82%	8.69%	35.0%	16.13%	12.41%	12.41%	50.0%	0.01%
2030	24.85%	8.69%	35.0%	16.16%	12.43%	12.43%	50.0%	0.01%
2031	24.88%	8.69%	34.9%	16.19%	12.44%	12.44%	50.0%	0.01%
2032	24.92%	8.69%	34.9%	16.23%	12.46%	12.46%	50.0%	0.02%

Based on current Mercer projections, it would take 5 years to reach the 50/50 shared rate in TRS





TRS Forecast with SB 141 Language





Effect of Employee Contribution Rate Increases on Average TRS Employee

TRS 2004	Annual Earnings	Monthly Earnings	2-Week Pay	Normal Cost	50% Normal Cost	Current Rate @	SB 141 Proposed Pre-Tax Payroll Deductions (every 2 weeks)						Cumulative Increase
							FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	
							22.97%	11.49%	8.69%	9.19%	9.69%	10.19%	
ASD Teacher BA Step 1	\$ 35,284.00	\$ 2,940.33	\$ 1,470.17	\$ 127.76	\$ 135.11	\$ 142.46	\$ 149.81	\$ 157.16	\$ 164.51	\$ 168.85			
				Yr to Yr Increase	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 4.34	\$ 41.09	
ASD Teacher BA+18 Step 4	\$ 40,251.00	\$ 3,354.25	\$ 1,677.13	\$ 145.74	\$ 154.13	\$ 162.51	\$ 170.90	\$ 179.28	\$ 187.67	\$ 192.62			
				Yr to Yr Increase	\$ 8.39	\$ 8.39	\$ 8.39	\$ 8.39	\$ 8.39	\$ 8.39	\$ 4.95	\$ 46.88	
ASD Teacher BA+36 Step 9	\$ 47,274.00	\$ 3,939.50	\$ 1,969.75	\$ 171.17	\$ 181.02	\$ 190.87	\$ 200.72	\$ 210.57	\$ 220.42	\$ 226.23			
				Yr to Yr Increase	\$ 9.85	\$ 9.85	\$ 9.85	\$ 9.85	\$ 9.85	\$ 9.85	\$ 5.81	\$ 55.05	
Average TRS Member	\$ 53,948.00	\$ 4,495.67	\$ 2,247.83	\$ 195.34	\$ 206.58	\$ 217.82	\$ 229.05	\$ 240.29	\$ 251.53	\$ 258.16			
				Yr to Yr Increase	\$ 11.24	\$ 11.24	\$ 11.24	\$ 11.24	\$ 11.24	\$ 11.24	\$ 6.63	\$ 62.83	
ASD Teacher BA +72 Step 19	\$ 61,319.00	\$ 5,109.92	\$ 2,554.96	\$ 222.00	\$ 234.80	\$ 247.58	\$ 260.35	\$ 273.13	\$ 285.90	\$ 293.44			
				Yr to Yr Increase	\$ 12.77	\$ 12.77	\$ 12.77	\$ 12.77	\$ 12.77	\$ 12.77	\$ 7.54	\$ 71.41	
Rg 4 - Mid Level Principal (216 Days - Step D)	\$ 80,893.00	\$ 6,741.08	\$ 3,370.54	\$ 292.90	\$ 309.75	\$ 326.61	\$ 343.46	\$ 360.31	\$ 377.16	\$ 387.11			
				Yr to Yr Increase	\$ 16.85	\$ 16.85	\$ 16.85	\$ 16.85	\$ 16.85	\$ 16.85	\$ 9.94	\$ 94.21	

- Estimate is based on FY 07 Total Normal Cost for TRS and assumed to be fixed for FY 07 to FY 11. Salaries are based on the 2004-05 Anchorage School District salary schedule





Defined Contribution Plan





We considered the Administration's 2004 Tier Committee work during our analysis and in our solutions

Tier Committee Data Reviewed:

- *Tier Alternative Recommendations*
- *Employer survey*
- *Member focus group results*
- *Benchmarking*
- *Benefit levels*
- *Demographic projections*
- *Implications of Medicare changes*
- *Trends, issues and alternatives*
- *Cost analysis and projections*





Defined Benefit Plan

- *Benefit level is fixed*
- *Benefit is based on a formula involving salary, years of service, age, etc.*
- *Benefit is paid for life and to qualified survivors*
- *Future benefit payments are NOT driven by investment performance*

Examples: PERS & TRS

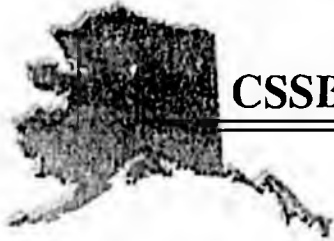
Defined Contribution Plan

- *Contribution level is fixed*
- *Benefit is based on the amount of money invested and earned in employee's account*
- *Benefit is paid until account runs out*
- *Future benefit payments are driven by investment performance*

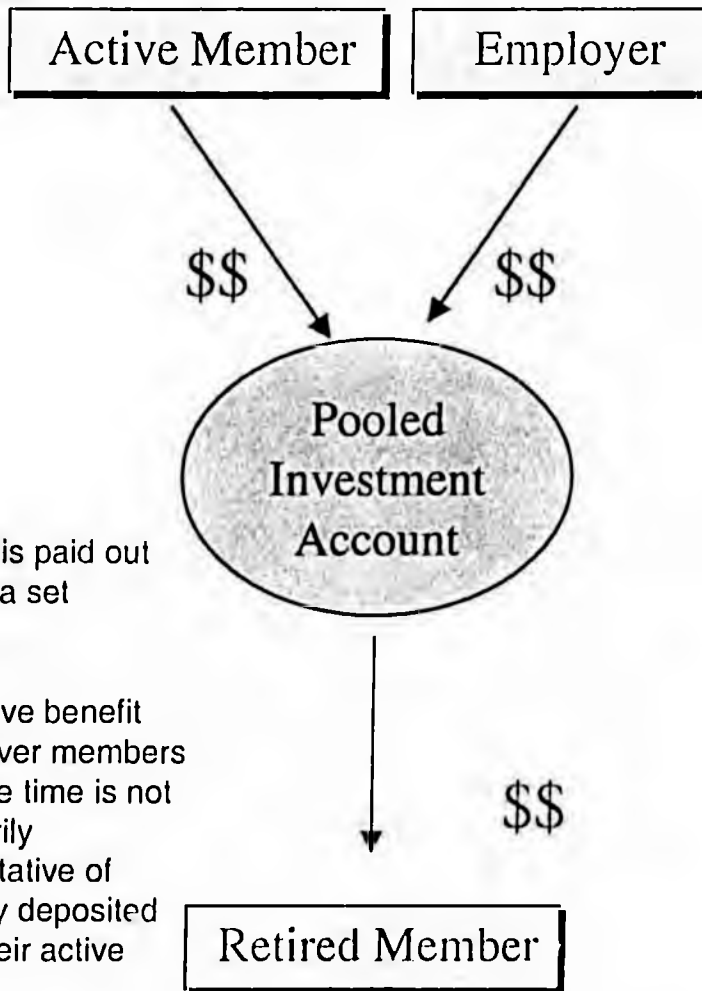
Examples: SBS & Deferred Compensation

Defined Benefit (DB) vs Defined Contribution (DC)



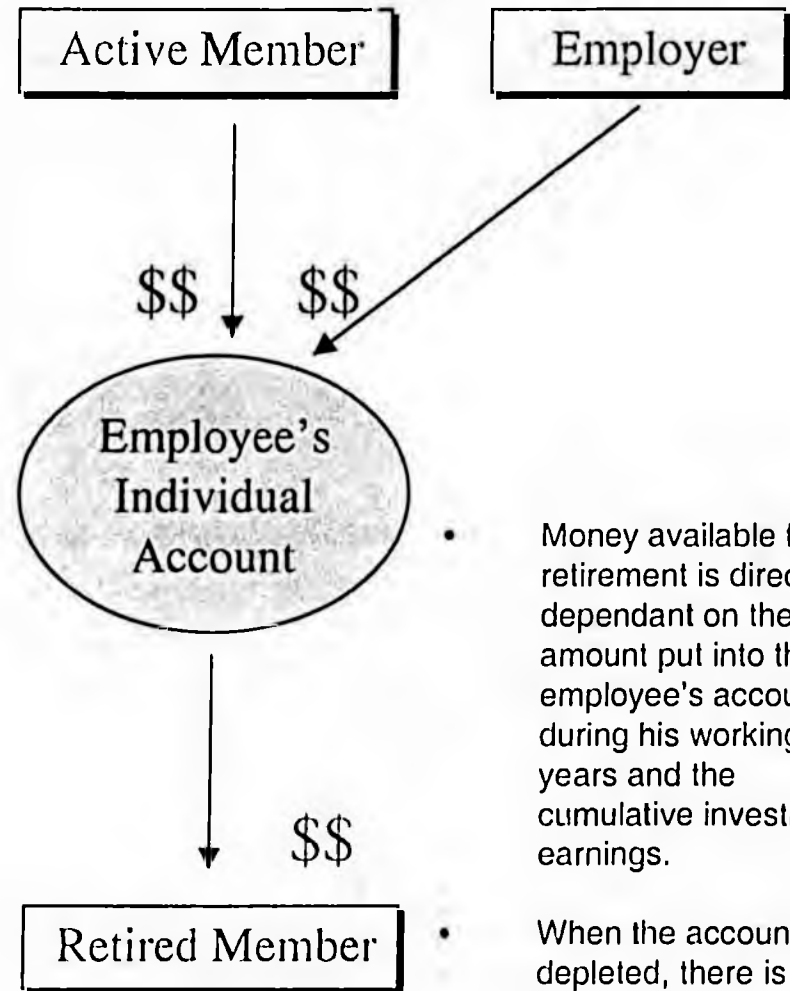


Defined Benefit System



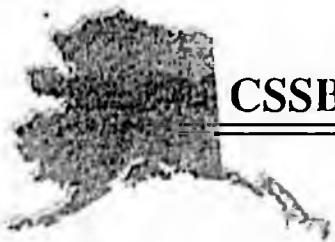
- Pension is paid out base on a set formula.
- Cumulative benefit payout over members retired life time is not necessarily representative of what they deposited during their active career

Defined Contribution System



- Money available for retirement is directly dependant on the amount put into the employee's account during his working years and the cumulative investment earnings.
- When the account is depleted, there is no further benefit.





Defined Benefit Plan

Advantages:

- *Pooling of longevity risk*
- *Guaranteed income stream*
- *System favors longer-service employees*

Challenges:

- *Employer bears investment risk*
- *Estimation of Liabilities*
- *Rising health costs*
- *Unpredictable or controllable costs*

Defined Contribution Plan

Advantages:

- *Portability*
- *Self-directed investing*
- *Contribution equity among employees*
- *Predictability*
- *Stable costs*
- *No long-term administrative costs*

Challenges:

- *Workforce management*
- *Employee bears investment risk*
- *Employee education*
- *Accurate retirement planning*

Defined Benefit (DB) vs Defined Contribution (DC)



<p>TRS Tier I 7/1/55 - 6/30/90</p>	<p>TRS Tier II Entered on or after 7/1/90</p>	<p>SB 141 Proposed DC Plan Entered on or after 7/1/2006</p>
<p>Employee Pre-tax Contribution: 8.65% beginning 1/1/91</p>	<p>Employee Pre-tax Contribution: 8.65% beginning 1/1/91</p>	<p>Employee Pre-tax Contribution: 8.0 % beginning 7/1/2005</p>
<p>Members vest with 8 years of service.</p>	<p>Members vest with 8 years of service.</p>	<ul style="list-style-type: none"> • Employee is immediately vested in their own contributions • Employee's gradually vest in employer contributions <ul style="list-style-type: none"> • 25% after two years • 50% after three years • 75% after four years • 100% after five years
<ul style="list-style-type: none"> • Normal retirement age is 55 • Early retirement at age 50 • Teachers can retire at any age after 20 years of membership service. 	<ul style="list-style-type: none"> • Normal retirement age is 60 • Early retirement at age 55 • Teachers can retire at any age after 20 years 	<ul style="list-style-type: none"> • Retirement Savings: Employee can terminate at any age and take vested account balance with them, leave it in the plan or rollover to another qualified plan. • Medical Benefits: Member is eligible for benefits if: <ul style="list-style-type: none"> • 65 years of age and at least 10 years of service; or • 30 years of service
<ul style="list-style-type: none"> • 2% defined benefits formula for the first 20 years and all years of service prior to July 1, 1990 • 2.5% thereafter. Benefit calculation is determined on the average of the high three contract salaries. 	<ul style="list-style-type: none"> • 2% defined benefit formula for the first 20 years • 2.5% thereafter. Benefit calculation is determined on the average of the high three contract salaries. 	<ul style="list-style-type: none"> • 8.25% employer contribution broken out as: <ul style="list-style-type: none"> • 4.25% to employee retirement savings account • 1.75% to retiree medical plan • 2.00% to Health Reimbursement Account
<ul style="list-style-type: none"> • Medical coverage is provided to all benefit recipients and their eligible dependents. 	<ul style="list-style-type: none"> • Medical premiums are paid for all disabled members regardless of age and • Retirees and survivors over age 60 and for retirees with at least 25 years of service including eligible dependents. • Retirees and survivors under age 60, with less than 25 years of membership service must pay the full premium cost if they want coverage. 	<ul style="list-style-type: none"> • Employees must retire directly from the system with a minimum of 10 years of service to be eligible for medical plan and access to IRA • Early retirees get "access" to retiree medical plan but must pay full premium until they reach age of Medicare eligibility • Once reaching Medicare age eligibility, retiree pays only a portion of monthly premium based on years of service <ul style="list-style-type: none"> • 10-14 years = Retiree pays 30% of premium • 15-19 years = Retiree pays 25% of premium • 20-24 years = Retiree pays 20% of premium • 25-29 years = Retiree pays 15% of premium • 30+ years = Retiree pays 10% of premium
<ul style="list-style-type: none"> • Automatic PRPA legislated in 1990 applied to all members regardless of hire date. • COLAs payable to recipients who remain domiciled in Alaska after retirement. COLAs 10% of the base benefit. 	<ul style="list-style-type: none"> • Automatic PRPA adjustments to disabled members, retirees 60 and over, and those who have received benefits for 8 years. • COLAs payable to recipients 65 or older or disability benefit recipients regardless of age who remain domiciled in Alaska after retirement. COLAs 10% of base benefit. 	<p>None</p>



<p>1975 Tier I 1/1/61 - 6/30/86</p>	<p>1975 Tier II Entered on or after 7/1/86</p>	<p>1975 Tier III Entered on or after 7/1/96</p>	<p>SB 141 Proposed DC Plan Entered on or after 7/1/2006</p>
<p>Employee Pre-tax Contribution: 6.75% beginning 1/1/87—all others 7.5% beginning 1/1/87—police and fire 9.6% beginning 7/1/99—school district</p>	<p>Employee Pre-tax Contribution: 6.75% beginning 1/1/87—all others 7.5% beginning 1/1/87—police and fire 9.6% beginning 7/1/99—school district</p>	<p>Employee Pre-tax Contribution: 6.75% beginning 1/1/87—all others 7.5% beginning 1/1/87—police and fire 9.6% beginning 7/1/99—school district</p>	<p>Employee Pre-tax Contribution: 8.0% beginning 7/1/2005</p>
<p>Members vest with 5 years of service.</p>	<p>Members vest with 5 years of service.</p>	<p>Members vest with 5 years of service.</p>	<ul style="list-style-type: none"> Employee is immediately vested in their own contributions Employee's gradually vest in employer contributions <ul style="list-style-type: none"> 25% after two years 50% after three years 75% after four years 100% after five years
<ul style="list-style-type: none"> Normal retirement age is 55 Early retirement age is 50 Police/fire members can retire at any age after 20 years of police/fire service All other members can retire at any age after 30 years of membership service. 	<ul style="list-style-type: none"> Normal retirement age is 60 Early retirement at age 55 Police/fire members can retire at any age after 20 years of police/fire service "All other" members can retire at any age after 30 years of membership service 	<ul style="list-style-type: none"> Normal retirement age is 60 Early retirement at age 55 Police/fire members can retire at any age after 20 years of police/fire service "All other" members can retire at any age after 30 years of membership service 	<ul style="list-style-type: none"> Retirement Savings: Employee can terminate at any age and take vested account balance with them, leave it in the plan or rollover to another qualified plan. Medical Benefits: Member is eligible for benefits if: <ul style="list-style-type: none"> 65 years of age and at least 10 years of service; or 25 years of service police/firefighters 30 years of service all others
<ul style="list-style-type: none"> 2% defined benefit formula for first 10 years and all years of service prior to July 1, 1986 2.25% for the next 10 years; 2.5% per year thereafter (average of the high three consecutive years' salary). Police/fire - 2% benefit formula for first 10 years and 2.5% for all years after 10. 	<ul style="list-style-type: none"> 2% defined benefit formula for first 10 years 2.25% for the next 10 years, and 2.5% per year thereafter. Benefit calculation is determined on the average of the high three consecutive years' salary. Police - Fire - 2% benefit formula for first 10 years and 2.5% for all years after 10 	<ul style="list-style-type: none"> 2% defined benefit formula for first 10 years 2.25% for the next 10 years, and 2.5% per year thereafter (benefit calculation is average of the high five consecutive years' salary). Police/fire - 2% benefit formula for first 10 years and 2.5% for all years after 10 (benefit calculation is three consecutive years regardless of tier (effective 2002)). 	<ul style="list-style-type: none"> 8.25% employer contribution broken out as: <ul style="list-style-type: none"> 4.25% to employee retirement savings account 1.75% to retiree medical plan 2.00% to Health Reimbursement Account
<ul style="list-style-type: none"> Medical coverage is provided to all benefit recipients and their eligible dependents. The retiree medical plan premium is paid by the retirement system. 	<p>Medical coverage is provided to disabled members, regardless of age and benefit recipients over age 60</p> <ul style="list-style-type: none"> police/fire members with 25 years of police/fire service all other members with 30 years of membership service <p>and their eligible dependents. The retirement system pays the retiree medical plan premium. Retirees and survivors under age 60 must pay the full premium cost if they want coverage.</p>	<p>Medical same as Tier II</p> <ul style="list-style-type: none"> Except, employees must accrue a minimum of 10 years of credited service, to have system-paid coverage at age 60. Employees with less than 10 years must pay the full premiums as long as they wish to continue medical coverage 	<ul style="list-style-type: none"> Employees must retire directly from the system with a minimum of 10 years of service to be eligible for medical plan and access to HRA Early retirees get "access" to retiree medical plan but must pay full premium until they reach age of Medicare eligibility Once reaching Medicare age eligibility, retiree pays only a portion of monthly premium based on years of service <ul style="list-style-type: none"> 10-14 years = Retiree pays 30% of premium 15-19 years = Retiree pays 25% of premium 20-24 years = Retiree pays 20% of premium 25-29 years = Retiree pays 15% of premium 30 years = Retiree pays 10% of premium
<ul style="list-style-type: none"> The automatic PRPA legislation in 1986 applied to all members regardless of hire date. COLA of 10% of base benefit is payable to benefit recipients who remain domiciled in Alaska after retirement. 	<ul style="list-style-type: none"> Automatic PRPA adjustments to disabled members, retirees 60 and over, and those who have received benefits for 5 years. COLA of 10% of base benefit is payable to benefit recipients 65 or older or disability benefit recipients regardless of age who remain domiciled in Alaska after retirement. 	<ul style="list-style-type: none"> Automatic PRPA adjustments to disabled members, retirees 60 and over, and those who have received benefits for 5 years. COLA is payable to benefit recipients 65 or older or disability benefit recipients regardless of age who remain domiciled in Alaska after retirement. The allowance is \$50 or 10% of the base benefit, whichever is greater. 	<p>None</p>





FY 06 Normal Cost Comparisons – TRS Tier II & PERS Tier III vs. Proposed DC Plan*

FY 06 Normal Cost Rates

	TRS II	PERS III	DC Plan
Medical normal cost rate	7.93%	7.23%	1.75%
Defined contribution rate	12.43%	10.32%	12.50%
HRA contribution rate	0.0%	0.0%	2.00%
Gross normal cost rate	20.36%	17.55%	16.25%
Member contribution rate	(8.65)%	(6.81)%	(8.00)%
Employer normal cost rate	12.71%	10.74%	8.25%

* See Appendix II for FY06 Normal Cost Comparisons for All Tiers and Appendix I for FY07 Normal Cost Comparisons for All Tiers

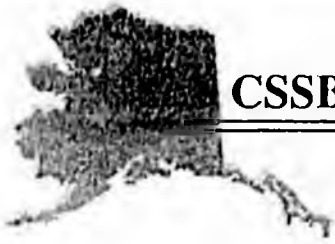




Factors that drive the contribution rate discussion

- Investment Return Assumptions
- Cost/Benefit Balance for the Employer
- Total Acceptable Normal Cost
- Keeping Competitive in Northwest Region





*Medical Benefits for New
Employees*

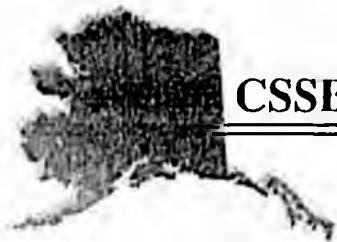




What are the medical benefits?

- Access to the retiree major medical plan and the health reimbursement arrangement (HRA)
- “*Access*” to the major medical plan means a person may not be denied coverage except for failure to pay the required premium
- Participation in the retiree major medical insurance plan is not required to participate in HRA
- Member must make irrevocable decision of coverage by age 70 ½ or termination of employment, whichever is later





Who is eligible for retiree medical benefits?

- A member is eligible for medical benefits after they meet the requisite age and/or service requirements:
 - Age 65 with 10 years of service; or
 - 25 years of service for peace officers/firefighters;
 - 30 years of service for all others
- Coverage includes the member, member's spouse, and member's dependent children
- Coverage includes the surviving spouse and children of the eligible member who are dependent on the surviving spouse





What are the medical contributions?

Health Trust Fund

- Employer pays 1.75% of employee compensation
 - Tier Committee initiative projected employer medical normal costs at 3.75% for TRS and 3.50% for PERS
 - Eliminating employee subsidy between ages 60 and 65 reduces these rates to 1.50% for TRS and 1.40% for PERS

Health Reimbursement Arrangement

- Employer pays 2.00% of average employer group compensation into an employee's HRA





Major medical plan premiums

- “Early retirees” are members and surviving spouses who meet the service requirements for eligibility but are not eligible for Medicare

‣ Pays one of the full monthly group premiums for coverage
(*retiree only, retiree+spouse, retiree+family, retiree+children*)

- Medicare eligible (currently age 65) members and surviving spouses pay a portion based on the member’s years of service

‣ 30% for 10-14 years
‣ 25% for 15-19 years
‣ 20% for 20-24 years
‣ 15% for 25-29 years
‣ 10% for 30+ years





Rationale for cost sharing only after Medicare

- 75% of the costs associated with the current AlaskaCare plan occur between the time a member retires and the date they become Medicare eligible
- Alaska has an early retirement age compared to most states
- 25 states have a normal retirement age of 65, including
 - Arizona, Idaho, Nevada, and Washington





Medical Cost Comparisons

- Every 1% of base payroll = \$21.6 million

Employer Group	Total FY 06 Estimated Base Payroll	Medical Normal Cost Rates		
		Current DB Plans	Tier Redesign Initiative	SB 141
PERS	\$1,587,594,875	8.68%	3.50%	1.40%
TRS	\$573,410,095	9.07%	3.75%	1.50%
PERS	Medical Cost in Dollars	\$137,803,235	\$55,565,821	\$22,226,328
TRS		\$52,008,296	\$21,502,879	\$8,601,151
Total Annual Medical		\$189,811,531	\$77,068,699	\$30,827,430
Total Payroll	\$2,161,004,970	Savings	\$112,742,832	\$158,984,051



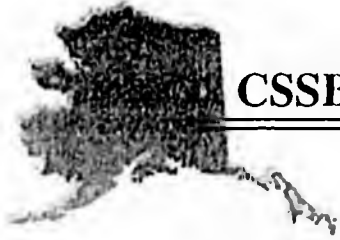


Example: Medical premium costs

- FY 2004 Medicare projected claim cost: \$2,667
- Employer contribution % based on length of service of the member

Member's Years of Service	Annual Employee Contribution		Annual Employer Contribution	
10-14	30%	\$800	\$1,867	70%
15-19	25%	\$667	\$2,000	75%
20-24	20%	\$533	\$2,134	80%
25-29	15%	\$400	\$2,267	85%
30+	10%	\$267	\$2,400	90%





*Health Reimbursement
Arrangement (HRA)*

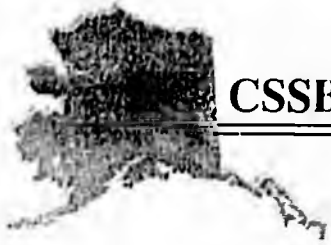




What is a Health Reimbursement Arrangement?

- Reimburses employees for qualified medical expenses during retirement years
- Intended as a supplement for medical expenses or a bridge between “early” retirement and Medicare
- Employer paid group (or pooled) fund
- Funds accumulate over working lifetime of employee
- Tax-free earnings and tax-free withdrawals
- Employer-determined flexible plan design (*contributions, covered expenses, termination provisions*)





SB 141 HRA Plan Design

- Employer contributes 2% of the average employer group compensation
- Annual payment on behalf of each active employee into group fund
- Contributions recorded to individual account balances (also tracked by employer)
- Fund managed by Alaska Retirement Management Board (ARMB)
- Interest credited annually to individual accounts, rate determined by ARMB





SB 141 HRA Plan Design

- Total Reimbursements limited to member's individual account balance until exhausted
- Terminated employees forfeit rights to HRA unless
 - The person returns to work for an employer in the system within 5 years
 - Account balance restored as of date of termination (accrues no additional interest)
- Employer may use forfeited funds as credits towards future HRA contributions





Who is eligible to draw HRA reimbursements?

- A member is eligible after they meet the requisite age and/or service requirements:
 - Age 65 with 10 years of service; or
 - 25 years of service for peace officers/firefighters;
 - 30 years of service for all others
- Surviving spouse of an eligible member
- Dependent children of an eligible member if both the member and surviving spouse have died





What costs are eligible for reimbursement?

- Premiums for a major medical plan (participation in State's retiree medical plan is not required)
- Qualified medical expenses under 26 U.S.C 213(d)
 - An eligible member
 - Member's spouse and
 - Dependent children





Projected HRA account balance

- HRA is a retention tool as it clearly favors longevity

Interest: 8.25%		Projected HRA Account Balances				
Fiscal Year	Years of Service	SB 141				
		1% no cap	1.5% no cap	2.0% no cap	2.5% no cap	3.5% no cap
2016	10	\$6,611	\$9,917	\$13,223	\$16,528	\$23,140
2021	15	\$13,535	\$20,303	\$27,071	\$33,838	\$47,374
2026	20	\$24,631	\$36,946	\$49,261	\$61,577	\$86,207
2031	25	\$42,100	\$63,150	\$84,200	\$105,250	\$147,350
2036	30	\$69,256	\$103,884	\$138,513	\$173,141	\$242,397

Interest: 6.00%		Projected HRA Account Balances				
Fiscal Year	Years of Service	SB 141				
		1% no cap	1.5% no cap	2.0% no cap	2.5% no cap	3.5% no cap
2016	10	\$5,928	\$8,893	\$11,857	\$14,821	\$20,749
2021	15	\$11,446	\$17,169	\$22,893	\$28,616	\$40,062
2026	20	\$19,592	\$29,387	\$39,183	\$48,979	\$68,571
2031	25	\$31,418	\$47,127	\$62,835	\$78,544	\$109,962
2036	30	\$48,370	\$72,555	\$96,741	\$120,926	\$169,296

Other assumptions: FY 2006, beginning salary \$35,000
 Salary inflation 5.5% first 5 years; 4% thereafter
 Projected Anchorage CPI (1.8017% to 4.8859%)





Spend down scenarios

HRA Contributions:
2.0%, no cap

- Example: Age 65, 20 yrs service, 2% contribution

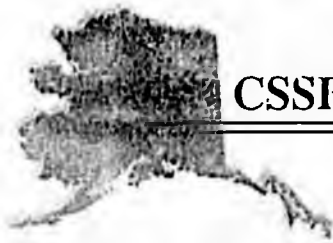
Beginning balance from table on Slide 7 →

Age	Years Retired	Beginning Annual Balance	Annual Health Premium	Annual Deductibles	Annual Interest Credited	Year End Balance
65	0	\$ 49,261	\$ 4,029	\$ 500	\$ 1,789	\$ 46,522
66	1	\$ 46,522	\$ 4,230	\$ 500	\$ 1,672	\$ 43,463
67	2	\$ 43,463	\$ 4,442	\$ 500	\$ 1,541	\$ 40,062
68	3	\$ 40,062	\$ 4,664	\$ 500	\$ 1,396	\$ 36,294
69	4	\$ 36,294	\$ 4,897	\$ 500	\$ 1,236	\$ 32,132
70	5	\$ 32,132	\$ 5,142	\$ 500	\$ 1,060	\$ 27,550
71	6	\$ 27,550	\$ 5,399	\$ 500	\$ 866	\$ 22,517
72	7	\$ 22,517	\$ 5,669	\$ 500	\$ 654	\$ 17,001
73	8	\$ 17,001	\$ 5,953	\$ 500	\$ 422	\$ 10,971
74	9	\$ 10,971	\$ 6,250	\$ 500	\$ 169	\$ 4,389
75	10	\$ 4,389	\$ 6,563	\$ 500	\$ (107)	\$ (2,780)

* Life expectancy:
Males=16.3 yrs
Females = 17.9 yrs

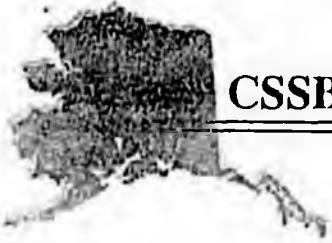
*Source: National Vital Statistics Reports, Vol.51, No. 3, December 19,2002, p. 29. The tables used are for all races based on year 2000 data.





*Option for Existing
Employees to Convert to
New DC Plan*





Eligibility for members to convert from the DB plan to the DC plan

- An employer must first choose to allow their DB plan employees to transfer into the DC plan.
- Only unvested members of the DB plan will be eligible to transfer into the DC Plan
 - PERS members with less than 10 years of service
 - TRS members with less than 8 years of service
- Participation in the defined contribution retirement plan is in lieu of participation in the defined benefits plan.
- There is no option to return to the DB plan if you opt into the DC plan.

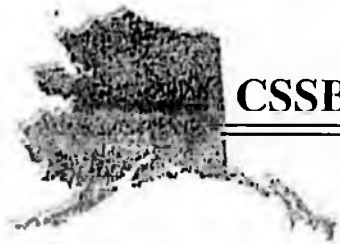




Mechanics of Conversion

- Present value of the *member* contribution account balance held in DB trust will be transferred to a new account.
- A 100% matching employer contribution will be made on behalf of the employee to the new account; however, this must be *new* money.
- Service credit earned under the DB plan will be credited for purposes of vesting in medical benefits.

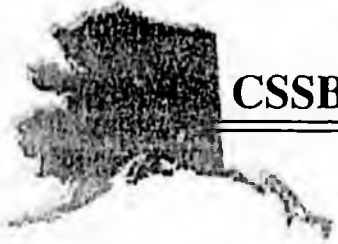




Potential Cost to Employers

Service Years		Tier 1	Tier 2	Tier 3	Total System
PERS					
< 5	\$	9,910,842	18,931,859	101,423,157	130,265,858
5 to < 10		55,804,740	128,224,601	96,023,581	280,052,923
10 to < 15		79,577,922	216,672,102	99,905	296,349,928
15 to < 20		166,029,809	119,618,440	0	285,648,249
20 to < 25		246,455,352	1,033,437	0	247,488,789
25 and >		141,721,266	123,906	0	141,845,172
Totals	\$	699,499,952	484,604,344	197,546,643	1,381,650,918
TRS					
< 8	\$	9,622,483	92,841,386		102,463,869
8 to < 10		11,597,202	41,796,620		53,393,822
10 to < 15		35,530,960	106,276,667		141,807,626
15 to < 20		136,923,592	6,547,816		143,471,408
20 and >		221,422,095	0		221,422,095
Totals	\$	415,096,333	247,462,488		662,558,821
Grand Total By Tier	\$	1,114,596,264	732,066,832	197,546,643	2,044,209,739
					0
				Limit Conversion Option to:	290,288,124





Example of retirement lifetime benefits under DB plan

- PERS “Other” member, Tier III
- Beginning salary \$35,000
- Member Contribution rate = 6.75%
- Semi-annual interest = 4.25%

- Works 30 years
- Normal Retirement at age 60
- Male Life Expectancy = 19.9 years

30 Years of Member Contributions and Interest	\$ 209,269	13.38%
Average Highest Consecutive 5 years	\$ 68,750	
Benefit Formula = (2% x 10 yrs) + (2.25% x 10 yrs) + (2.5% x 10 yrs)	67.5%	
Annual Benefit	\$ 46,406.25	
Annual Benefit x Life Expectancy =	\$ 923,484	
Lifetime Medical Premiums	\$ 315,949	
Total Employer Benefits Payments	\$ 1,563,859	86.62%

Corrected April 8, 2005





Refunded Accounts





Refunded Accounts By System

PERS	Tier 1	
	>5	5,251
	3-5	5,292
	<3	31,179
	Tier 2	14,999
	Tier 3	7,667
Total		64,388
TRS	Tier 1	
	>8	388
	6-8	369
	<6	10,008
	Tier 2	2,534
Total		13,299
PERS/TRS Total		77,687

All these members refunded their contributions when they left state service.

However, they can come back, set up their indebtedness, pay off the indebtedness, serve until vested and then get a benefit from the system.

5,639 members are already vested.

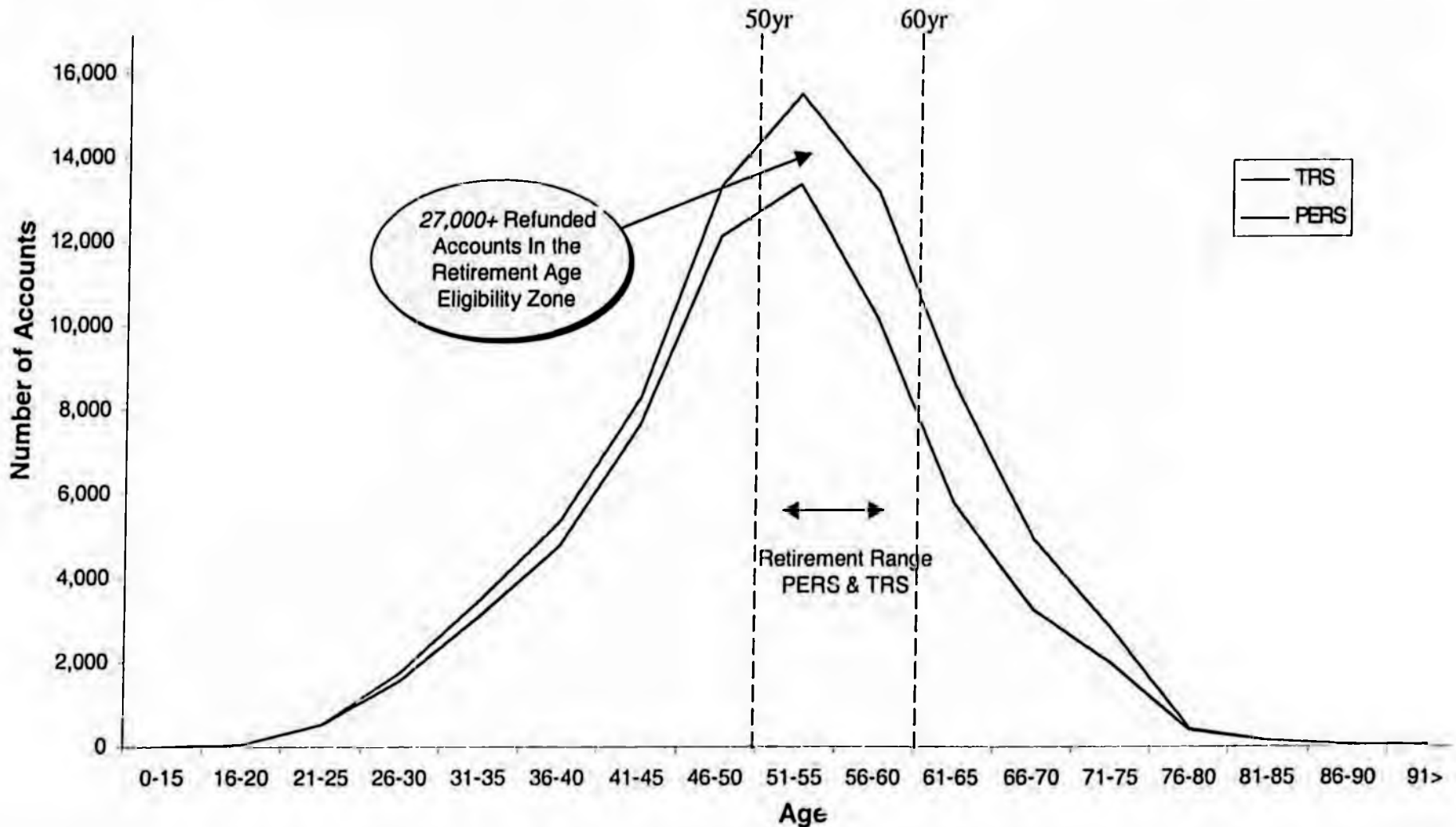
They can be rehired, pay their indebtedness, leave immediately and have 100% system paid medical at retirement.

Refunded Accounts Represent a Looming Liability for the System





Age Distribution of PERS & TRS Refunded Accounts



Refunded Accounts Represent a Looming Liability for the System





CSSB 141 (FIN) Solution

- AS 14.25.062 and AS 39.35.350
- Repeals the provision for letting people repay their indebtedness to the state – effective June 30, 2010
- This provides for a 5 year window for members to reinstate their accounts and begin paying the indebtedness





*Post Pension Retirement
Adjustments (PRPA)*





Current Retirement Pension Adjustments

1. COLA – The greater of 10% or \$50 increase in base benefit amount paid to retirees 65 years of age or older living in Alaska

2. Post Pension Retirement Adjustment (PRPA) AS14.25.143 & AS39.45.475
 - Automatic – annual increase given to eligible retirees based a percentage of the year to year change in Anchorage CPI - 50% pre-65, 75% post-65

 - Discretionary (“Ad Hoc”) - **All Tier 1 retirees are eligible.** Awarded *“when the administrator determines that the cost of living has increased and that the financial condition of the retirement fund permits”*

Established in 1966 – repealed on 7/1/86 PERS and 7/1/90 TRS – but still applicable to Tier 1 members





PRPA ELIGIBILITY AND CALCULATION			
	PRPA Issued	Eligibility Requirements	Calculation
Ad Hoc	July 1st of every year. Members must meet eligibility requirements as of July 1st.	Must be a Tier I PERS or TRS member. (Appx 24,500) Must be a change in the Consumer Price Index (CPI) from date of retirement to date of PRPA issuance.	3 Step calculation: 1) Determine the % difference in the current CPI% less the CPI% at retirement. Multiply the base benefit by this percentage. 2) Determine the 4% compounded rate for each month the member has been on retirement. Multiply the base benefit times this percentage. Subtract any prior PRPAs received. 3) The Ad Hoc amount granted is the lesser of the results of steps 1 and 2.
Automatic	July 1st of every year. Members must meet eligibility requirements as of July 1st.	1) Must be age 60, or 2) have been receiving retirement benefits for 5 yrs (PERS), 8 yrs (TRS), or 3) be receiving disability benefits.	If member meets minimum age or service eligibility, receives 50% of the % change in CPI applied to the base benefit plus any prior PRPAs granted. Disability recipients and members who are age 65 receive 75% of the % of change in CPI.

AdHoc PRPA's Have a Huge Effect on Future Liabilities





Ad hoc and Automatic PRPA Example

Tier I Retiree
Retired 1/1/97
Age 50

Change in CPI	Ad Hoc PRPA % Granted*	Auto PRPA % Granted	PRPA Date	Age	Base Benefit	Ad Hoc PRPA Amt	Auto PRPA Amount	PRPA Type
3.163%	3.000%	1.581%	7/1/1997	50	\$ 2,248.86	NE	NE	Ad hoc
1.045%	4.000%	0.522%	7/1/1998	51	\$ 2,248.86	\$ 15.60	NE	Ad hoc
1.103%	4.000%	0.551%	7/1/1999	52	\$ 2,248.86	\$ 25.00	NE	Ad hoc
0.954%	4.000%	0.477%	7/1/2000	53	\$ 2,248.86	\$ 21.86	NE	Ad hoc
2.837%	4.000%	1.418%	7/1/2001	54	\$ 2,248.86	\$ 65.58	NE	Ad hoc
3.022%	3.000%	1.511%	7/1/2002	55	\$ 2,248.86	\$ 71.82	\$ 37.00	Ad hoc
1.849%	None	0.924%	7/1/2003	56	\$ 2,248.86	\$ -	\$ 22.63	Auto
3.193%	None	1.596%	7/1/2004	57	\$ 2,248.86	\$ -	\$ 39.08	Auto
Total PRPA Granted:								\$261.57

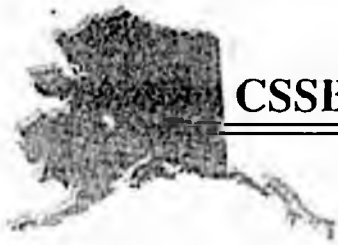
Tier II Retiree
Retired 1/1/97
Age 55

Age	Base Benefit	Auto PRPA Amt	PRPA % Granted
55	\$ 2,248.86	NE	NE
56	\$ 2,248.86	NE	NE
57	\$ 2,248.86	NE	NE
58	\$ 2,248.86	NE	NE
59	\$ 2,248.86	NE	NE
60	\$ 2,248.86	\$ 37.00	1.645%
61	\$ 2,248.86	\$ 22.63	1.006%
62	\$ 2,248.86	\$ 39.08	1.738%
Total PRPA Granted		\$ 98.71	\$98.71

*Note: The 4% is the maximum any member can receive. No ad hoc PRPA granted can cause the total accrued PRPAs to exceed the total change in CPI from the member's retirement date to the date the PRPA was granted.

NE = Non Eligible

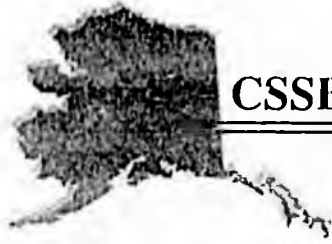




PRPA Awarding History					
PRPA Date	Monthly Benefit Increase			Total 12 Month Cash Increase	Resulting Actuarial Loss
	PERS	TRS	Total		
1995	Paid in '97	Paid in '97	NA		
1996	Paid in '97	Paid in '97	NA		
1997	\$ 2,289,639	\$ 2,877,374	\$ 5,167,013		
1998	\$ 171,502	\$ 149,500	\$ 321,002	\$ 3,852,024	\$ 57,158,000
1999	\$ 163,715	\$ 147,366	\$ 311,081	\$ 3,732,972	\$ 11,765,000
2000	\$ 158,034	\$ 133,226	\$ 291,260	\$ 3,495,120	\$ 17,905,000
2001	\$ 508,787	\$ 445,192	\$ 953,979	\$ 11,447,748	\$ 17,123,000
2002	\$ 585,443	\$ 502,968	\$ 1,088,411	\$ 13,060,932	\$ 39,561,000

AdHoc PRPA's Have a Huge Effect on Future Liabilities





CSSB 141 (FIN) Solution

- Define what is meant in statutes by “the financial condition of the retirement fund” permitting *(AS 14.25.143 and AS 39.35.475)*
- SB 141 defines the healthy financial condition of the fund to be a minimum funding ratio of 110%





Appendix





Funding Ratios

(Actuarial Asset Value/Total Accrued Benefits)

Year	TRS Funding Ratio	PERS Funding Ratio	Year	TRS Funding Ratio	PERS Funding Ratio
1975	61.0%	61.0%	'90	87.7%	97.2%
'76	55.0%	64.0%	'91	85.7%	88.1%
'77	63.0%	66.0%	'92	89.7%	91.2%
'78	67.0%	69.0%	'93	93.1%	95.4%
'79	72.0%	68.0%	'94	89.6%	94.8%
'80	67.0%	71.0%	'95	90.9%	96.5%
'81	79.0%	82.0%	'96	97.2%	105.8%
'82	77.0%	79.0%	'97	94.0%	106.3%
'83	80.0%	85.0%	'98	97.7%	105.9%
'84	84.0%	88.0%	'99	102.5%	105.5%
'85	82.0%	94.0%	2000	99.6%	101.1%
'86	93.0%	102.0%	'01	95.0%	100.9%
'87	101.0%	100.0%	'02	68.2%	75.2%
'88	98.8%	93.0%	'03	64.3%	72.8%
'89	95.0%	91.6%	'04	62.5%	71.1%

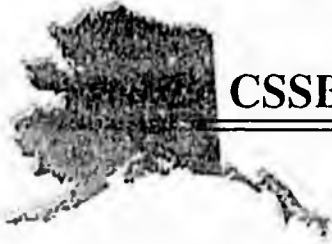


Summary of Accrued Assets and Liabilities - PERS							
Valuation Date	Accrued Liability (000's)	Valuation Assets (000's)	Surplus Actuarial (000's)	Market Value Asstes (000's)	Surplus Market (000's)	Funding Ratio	
						Actuarial Value of Assets	Market Value of Assets
June 30, 2004	11,443,916	8,030,414	(3,413,502)	8,177,306	(3,266,610)	70.2%	71.5%
June 30, 2003	10,561,653	7,687,281	(2,874,372)	7,391,455	(3,170,198)	72.8%	70.0%
June 30, 2002	9,859,591	7,412,833	(2,446,758)	7,412,833	(2,446,758)	75.2%	75.2%
June 30, 2001	7,868,574	7,941,756	73,182	8,088,382	219,808	100.9%	102.8%
June 30, 2000	7,376,912	7,454,758	77,846	8,756,580	1,379,668	101.1%	118.7%
June 30, 1999	6,648,673	7,016,340	367,667	8,105,358	1,456,685	105.5%	121.9%
June 30, 1998	6,203,991	6,571,562	367,571	7,438,398	1,234,407	105.9%	119.9%
June 30, 1997	5,534,116	5,885,488	351,372	6,566,155	1,032,039	106.3%	118.6%
June 30, 1996	4,979,958	5,271,253	291,295	5,567,721	587,763	105.8%	111.8%
June 30, 1995	4,971,172	4,794,754	(176,418)	4,876,808	(94,364)	96.5%	98.1%
June 30, 1994	4,620,182	4,379,305	(240,877)	4,177,013	(443,169)	94.8%	90.4%

Summary of Accrued Assets and Liabilities - TRS							
Valuation Date	Accrued Liability (000's)	Valuation Assets (000's)	Surplus Actuarial (000's)	Market Value Asstes (000's)	Surplus Market (000's)	Funding Ratio	
						Actuarial Value of Assets	Market Value of Assets
June 30, 2004	6,123,600	3,845,370	(2,278,230)	3,911,515	(2,212,085)	62.8%	63.9%
June 30, 2003	5,835,609	3,752,285	(2,083,324)	3,602,619	(2,232,990)	64.3%	61.7%
June 30, 2002	5,411,642	3,689,036	(1,722,606)	3,689,036	(1,722,606)	68.2%	68.2%
June 30, 2001	4,603,147	4,372,229	(230,918)	4,086,848	(516,299)	95.0%	88.8%
June 30, 2000	4,198,868	4,184,015	(14,853)	4,484,902	286,034	99.6%	106.8%
June 30, 1999	3,720,954	3,815,633	94,679	4,204,019	483,065	102.5%	113.0%
June 30, 1998	3,528,757	3,446,070	(82,687)	3,915,235	386,478	97.7%	111.0%
June 30, 1997	3,320,069	3,120,044	(200,025)	3,492,071	172,002	94.0%	105.2%
June 30, 1996	2,940,437	2,858,756	(81,681)	3,030,644	90,207	97.2%	103.1%
June 30, 1995	2,913,467	2,647,392	(266,075)	2,688,451	(225,016)	90.9%	92.3%
June 30, 1994	2,761,409	2,472,957	(288,452)	2,351,719	(409,690)	89.6%	85.2%



By: The Senate Finance Committee
Date: April 19th, 2005



CSSB 141(FIN) – Retirement Security Act

Appendix C

State of Alaska PERS & TRS Combined

Mercer Financial Projections 1994 - 2004
(000's)

Asset Projections

Year of Projection	Year of Valuation →											Growth Rates	
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Projection Year to 2004	1994 to Valuation Yr
1994	6,852,262	7,403,413	7,962,757	8,540,481	9,126,369	9,718,047	10,310,885	10,908,394	11,504,225	12,094,355	12,676,211	6.34%	NA
1995		7,442,146	7,991,239	8,552,339	9,121,335	9,696,836	10,275,690	10,855,836	11,438,471	12,018,413	12,594,118	6.02%	8.61%
1996			8,130,009	8,746,883	9,390,408	9,932,211	10,467,611	10,991,735	11,524,613	12,068,061	12,625,681	5.66%	8.93%
1997				9,005,532	9,553,907	10,127,253	10,710,618	11,295,186	11,880,566	12,471,231	13,068,653	5.46%	9.54%
1998					10,017,632	10,573,292	11,151,933	11,748,209	12,340,647	12,935,217	13,533,300	5.14%	9.96%
1999						10,831,973	11,402,246	12,011,278	12,619,155	13,215,400	13,813,992	4.98%	9.59%
2000							11,638,773	12,291,658	12,949,182	13,600,013	14,255,273	5.20%	9.23%
2001								12,313,985	12,947,946	13,600,150	14,256,914	5.00%	8.73%
2002									11,101,869	11,493,903	11,869,337	3.40%	6.22%
2003										11,439,566	11,830,452	3.42%	5.86%
2004											11,875,784	NA	5.65%

Liabilities Were Projected to Grow 8.12%

Liability Projections

Year of Projection	Year of Valuation →											Growth Rates	
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Projection Year to 2004	1994 to Valuation Yr
1994	7,381,591	7,939,650	8,521,560	9,115,400	9,716,804	10,324,287	10,939,115	11,553,458	12,164,713	12,770,934	13,370,829	6.12%	NA
1995		7,884,639	8,456,536	9,048,884	9,650,517	10,259,243	10,870,257	11,487,771	12,100,792	12,707,516	13,306,748	5.99%	6.81%
1996			7,920,395	8,487,521	9,077,740	9,682,606	10,296,517	10,917,084	11,537,170	12,158,936	12,778,540	6.16%	3.59%
1997				8,854,185	9,431,123	10,041,501	10,664,838	11,267,255	11,878,841	12,495,041	13,113,084	5.77%	6.25%
1998					9,732,748	10,300,514	10,908,027	11,516,013	12,105,062	12,694,397	13,284,137	5.32%	7.16%
1999						10,369,627	10,919,801	11,530,751	12,135,844	12,715,143	13,298,187	5.10%	7.03%
2000							11,575,780	12,225,797	12,893,954	13,546,251	14,209,495	5.26%	7.79%
2001								12,471,721	13,052,584	13,649,550	14,263,466	4.58%	7.78%
2002									15,271,234	16,045,872	16,850,714	5.04%	9.51%
2003										16,397,262	17,310,245	5.57%	9.27%
2004											17,567,516	NA	9.06%

Liabilities Have Actually Grown 9.06%

Actual Annual Valuations





PERS Analysis of Valuation

Cumulative Change in Average Employer Contribution Rate

1998 through 2004

PERS Employer Rate increased cumulatively by 20.83% over 6 years - from 7.36% in 1998 to 28.19% in 2004

What factors contributed to that increase?

% of Cumulative 1998 to 2004 Rate Increase Attributed to Each Factor

Type of Gain or Loss	Impact Years	PERS		
		Weighted Absolute Change	Absolute Change 1998-2004	Payroll Impact (000's)
Assumption Changes	'98, 2000, '02, '04	(34.79%)	12.18%	\$ (82,643)
Investment Experience	All	(10.88%)	3.81%	\$ (25,851)
Health Experience	2002	(10.51%)	3.68%	\$ (24,969)
Demographic Experience	All	(9.83%)	3.44%	\$ (23,341)
Asset Valuation Method	2000, 2002	(4.11%)	1.44%	\$ (9,771)
Contri Shortfall Due to 2 Year Calculated Rate	2003, 2004	(5.68%)	1.99%	\$ (13,502)
102% Funding Ratio Adjustments	1998, 2001, 2003	(1.89%)	0.66%	\$ (4,478)
Ad hoc PRPA	1998 thru 2002	(1.46%)	0.51%	\$ (3,460)
System Benefit Changes	2001, 2002	(0.60%)	0.21%	\$ (1,425)
Salary Experience	All but 2000	5.80%	2.03%	\$ 13,774
Past Service Amortization Change	2002	14.45%	5.06%	\$ 34,333
		100.00%	35.01%	\$ 237,548

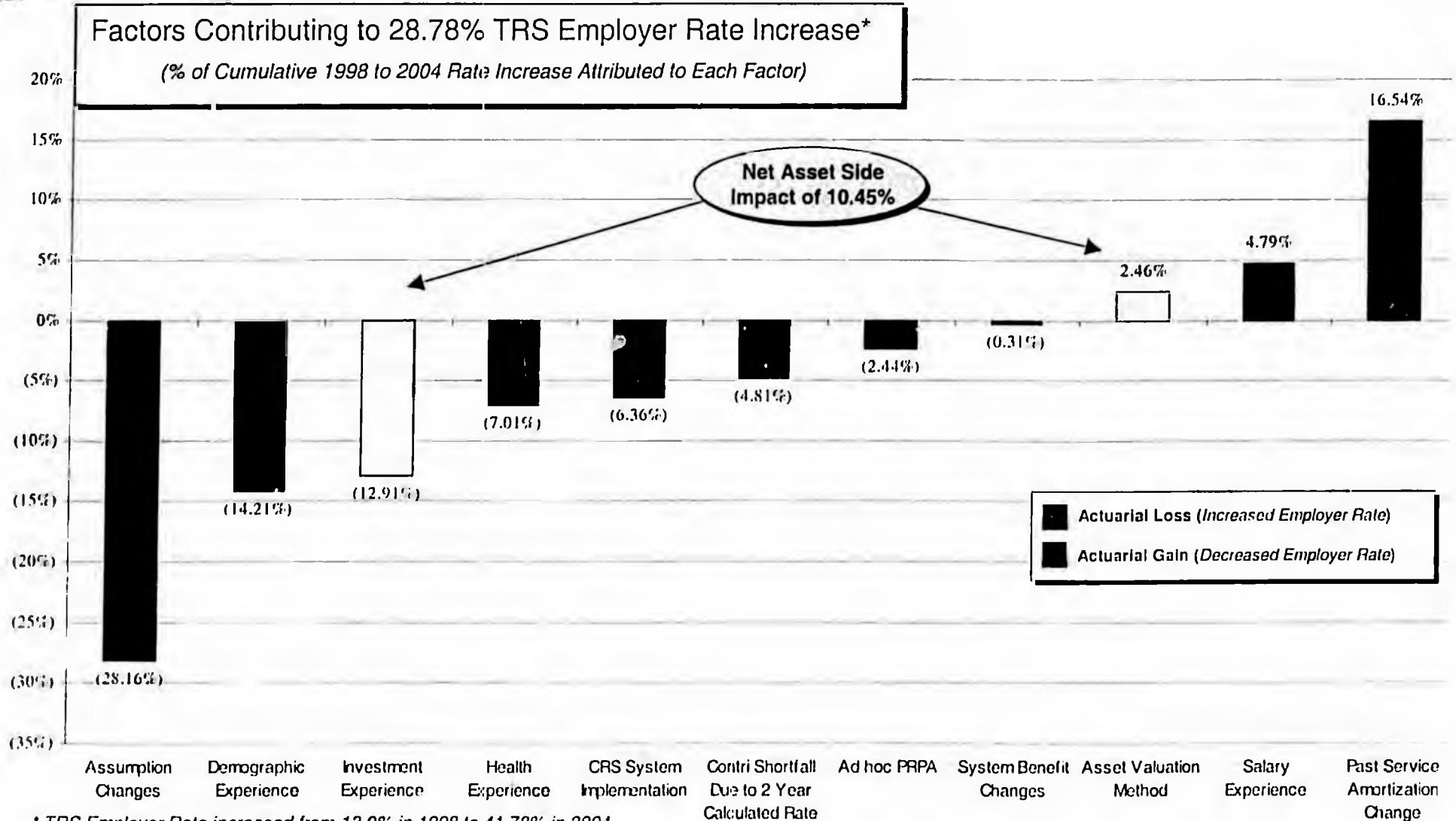




PERS Analysis of Valuation
 Cumulative Change in Average Employer Contribution Rate
 1998 to 2004

Type of Gain or Loss (as of June 30)	Weighted Absolute Change	Absolute Change	Total	2004	2003	2002	2001	2000	1999	1998
Health Experience	10.51%	3.68%	3.68%	0.00%	0.00%	3.68%	0.00%	0.00%	0.00%	0.00%
Salary Experience	5.80%	2.03%	(2.03%)	0.08%	(0.19%)	(0.20%)	(1.03%)	0.00%	(0.23%)	(0.46%)
Investment Experience	10.88%	3.81%	3.81%	0.02%	0.31%	7.24%	0.11%	(0.12%)	(0.49%)	(3.26%)
Demographic Experience	9.83%	3.44%	3.44%	0.54%	0.40%	1.21%	0.77%	(0.81%)	0.21%	1.12%
Net Gains & Loss Due to Experience			8.90%	0.64%	0.52%	11.93%	(0.15%)	(0.93%)	(0.51%)	(2.60%)
Asset Valuation Method	4.11%	1.44%	1.44%	0.00%	0.00%	4.11%	0.00%	(2.67%)	0.00%	0.00%
102% Funding Ratio Adjustments	1.89%	0.66%	0.66%	0.00%	(0.90%)	0.00%	0.57%	0.00%	0.00%	0.99%
Past Service Amortization Change	14.45%	5.06%	(5.06%)	0.00%	0.00%	(5.06%)	0.00%	0.00%	0.00%	0.00%
Contribution Shortfall compared to average Employer Calculated rate	5.68%	1.99%	1.99%	0.89%	1.10%					
Assumption Changes	34.79%	12.18%	12.18%	1.03%	0.00%	6.98%	0.00%	3.09%	0.00%	1.08%
System Benefit Changes	0.17%	0.21%	0.21%	0.00%	0.00%	0.04%	0.17%	0.00%	0.00%	0.00%
Ad hoc PRPA	1.46%	0.51%	0.51%	0.00%	0.00%	0.14%	0.06%	0.07%	0.04%	0.20%
Total Non-Recurring Changes	100.00%	35.01%	11.93%	1.92%	0.20%	6.21%	0.80%	0.49%	0.04%	2.27%
Composite (Gain) or Loss During Year				2.56%	0.72%	18.14%	0.65%	(0.44%)	(0.47%)	(0.33%)
Beginning Average Employer Contribution Rate				25.63%	24.91%	6.77%	6.12%	6.56%	7.03%	7.36%
Ending Average Employer Contribution Rate				28.19%	25.63%	24.91%	6.77%	6.12%	6.56%	7.03%
Annual Payroll (000's)				1472987	1460783	1402686	1360401	1321480	1283549	1235439
Annual Contribution				377527	363881	94962	83257	86689	90233	90928
Yr to Yr Change				13646	268919	11705	-3433	-3544	-695	





A Combination of Factors Created Our Present Situation





TRS Analysis of Valuation

Cumulative Change in Average Employer Contribution Rate

1998 through 2004

TRS Employer Rate increased cumulatively by 28.78% over 6 years - from 13.0% in 1998 to 41.78% in 2004

What factors contributed to that increase?

% of Cumulative 1998 to 2004 Rate Increase Attributed to Each Factor		TRS		
Type of Gain or Loss	Impact Years	Weighted Absolute Change	Absolute Change 1998-2004	Payroll Impact (000's)
Assumption Changes	2000, 2002, 2004	(28.16%)	15.46%	\$ (14,922)
Demographic Experience	All	(14.21%)	7.80%	\$ (7,528)
Investment Experience	All	(12.91%)	7.09%	\$ (6,843)
Health Experience	2002	(7.01%)	3.85%	\$ (3,716)
CRS System Implementation	2001	(6.36%)	3.49%	\$ (3,368)
Contri Shortfall Due to 2 Year Calculated Rate	2003, 2004	(4.81%)	2.64%	\$ (2,548)
Ad hoc PRPA	1998 thru 2002	(2.44%)	1.34%	\$ (1,293)
System Benefit Changes	2001	(0.31%)	0.17%	\$ (164)
Asset Valuation Method	2000, 2002	2.46%	1.35%	\$ 1,303
Salary Experience	All but 2002	4.79%	2.63%	\$ 2,538
Past Service Amortization Change	2002	16.54%	9.08%	\$ 8,764
		100.00%	54.90%	\$ 52,988





TRS Analysis of Valuation
 Cumulative Change in Average Employer Contribution Rate
 1998 to 2004

Type of Gain or Loss (as of June 30)	Weighted Absolute Change	Absolute Change	Total	2004	2003	2002	2001	2000	1999	1998
Health Experience	7.01%	3.85%	3.85%	0.00%	0.00%	3.85%	0.00%	0.00%	0.00%	0.00%
Salary Experience	4.79%	2.63%	(2.63%)	0.54%	0.10%	(0.11%)	(1.68%)	0.00%	(0.64%)	(0.84%)
Investment Experience	12.91%	7.09%	7.09%	0.06%	0.43%	15.03%	1.35%	(3.35%)	(3.73%)	(2.70%)
Demographic Experience	14.21%	7.80%	7.80%	(0.85%)	1.35%	4.21%	2.66%	(0.91%)	0.80%	0.54%
Net Gains & Loss Due to Experience			16.11%	(0.25%)	1.88%	22.98%	2.33%	(4.26%)	(3.57%)	(3.00%)
Asset Valuation Method	2.46%	1.35%	(1.35%)	0.00%	0.00%	0.03%	0.00%	(1.38%)	0.00%	0.00%
CRS System Implementation	6.36%	3.49%	3.49%	0.00%	0.00%	0.00%	3.49%	0.00%	0.00%	0.00%
Past Service Amortization Change	16.54%	9.08%	(9.08%)	0.00%	0.00%	(9.08%)	0.00%	0.00%	0.00%	0.00%
Contribution Shortfall compared to average Employer Calculated rate	4.81%	2.64%	2.64%	1.24%	1.40%					
Assumption Changes	28.16%	15.46%	15.46%	1.94%	0.00%	6.84%	0.00%	6.68%	0.00%	0.00%
System Benefit Changes	0.31%	0.17%	0.17%	0.00%	0.00%	0.00%	0.17%	0.00%	0.00%	0.00%
Ad hoc PRPA	2.44%	1.34%	1.34%	0.00%	0.00%	0.36%	0.16%	0.16%	0.11%	0.55%
Total Non-Recurring Changes	100.00%	54.90%	12.67%	3.18%	1.40%	(1.85%)	3.82%	5.46%	0.11%	0.55%
Composite (Gain) or Loss During Year				2.93%	3.28%	21.13%	6.15%	1.20%	(3.46%)	(2.45%)
Beginning Average Employer Contribution Rate				38.85%	35.57%	14.44%	8.29%	7.09%	10.55%	13.00%
Ending Average Employer Contribution Rate				41.78%	38.85%	35.57%	14.44%	8.29%	7.09%	10.55%
Annual Payroll (000's)				522421	532630	509437	496188	482571	466414	469433
Annual Contribution				202961	189456	73563	41134	34214	49207	61026
Yr to Yr Change				13504	115894	32429	6920	-14992	-11820	





Assumptions:

Demographic Assumptions *Relate to the plan's populations and how they are expected to change over time*

- Total Turnover Rate
- Disability Rate
- Retirement Rates
- Assumed Retirement Date if Before Age 50
- Mortality Rates

Economic Assumptions *Relate to the expected long-term financial experience of the plan*

- Total Inflation
- Annual investment return
- Annual Salary Increases
- Post Retirement Health Premium Trend

Actuarial Assumptions *In addition to Demographic and Economic Assumptions, the following additional assumptions are inputs in the actuarial analysis*

- Target Funding Ratio
- COLA – % of retirees receiving
- Spouse's Age
- Dependent Children
- Contribution Refund Rates
- New entrants
- Post-Pension Retirement Adjustments
- Expenses
- Marital Status

Assumption Changes:

As a result of a 2000 experience study in which system experience was compared to actuarial assumptions, a new set of assumptions was adopted in December of 2000. The net effect of the change resulted in an actuarial loss of 3.09% in PERS and 6.68% in TRS.

As a result of the 2002 Actuarial Audit performed by Milliman USA, a new set of actuarial assumptions were adopted effective June 30, 2002. Assumption changes included Health Cost Trends, Mortality, % of Retirees receiving COLA, Turnover Rates, Assumed Retirement Ages. For 2002, changes in the health cost trend assumption only, resulted in an actuarial loss in TRS of 6.84% and in PERS by 6.98%.





Investment Experience:

Adjustments as a result of differences between assumed investment results and actual investment experience (results).

In 2002, the board changed the asset valuation method and immediately recognized all deferred losses. This resulted in an actuarial loss in PERS of 7.24% and in TRS of 15.03%.

Health Experience:

Adjustments as a result of differences between assumed health expenses and actual health experience (costs).

On June 30, 2002, the assumed total blended Health premium was reset to the actual total blended premium for FY03. The resetting increased the total employer contribution rate by 3.85% in TRS and 3.68% in PERS. Going forward, the difference between the assumed rate and the actual rate will be tracked annually and reduced if the gap becomes too wide.

Demographic Experience:

Adjustments as a result of comparing assumptions about the demographic statistics (i.e. population) of the system, with the actual statistics. Factors include - number of active participants, average age of participants, average credited service, number of beneficiaries, number of vested/terminated, etc.

CRS System Implementation:

The Div of Retirement & Benefits implemented a new administrative system (CRS) in 2000 for TRS. The new system provides more accurate data to be used in the annual actuarial valuations. Due to the differences in the data between the old and new systems, there were one-time data adjustments which affected the liabilities calculated for the System. The net effect of these changes was to increase the 2001 employer contribution rate in TRS by 3.49%.

Contribution Shortfall:

2003: An average employer calculated rate are determined 2 years prior to the fiscal year. So the 2003 valuation is setting the FY05 and FY06 rates. When the next year's valuation is finished, the difference between the new calculated rate and the one from the year prior determines the shortfall.





Asset Valuation Method:

PERS:

Prior to 2002, in developing asset valuations, PERS used what's called the corridor method. Investment returns are expected to be equal to the investment assumption of 8.25%. The valuation assets, plus (minus) the outstanding balance of previously amortized amounts, are then compared to a 5% corridor around the market value of assets. Any amount outside the corridor is amortized and applied to the employer contribution rates as a level percentage of the present value of pay over 20 years under the 1% population scenario. For 2000, recognition of additional investment gains outside the corridor resulted in an actuarial gain of 2.67%.

Effective June 30, 2002 - As a result of the Actuarial Audit performed by Milliman USA in 2002, the Board adopted a new asset valuation method. This new smoothing method - recognizes 20% of the investment gain or loss in each of the current and preceding four years. This method is being phased in over the next five years. Due to this change, the accumulated adjustment from the corridor method is now included in the amortization of the unfunded liability. Elimination of the corridor adjustment created a 2002 actuarial loss of 4.11% in PERS.

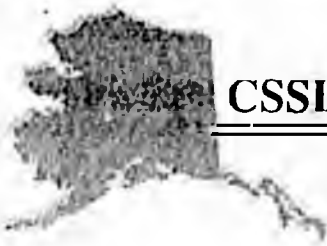
TRS:

Prior to 2000, in developing asset valuations, TRS used a smoothing technique to smooth over five years the difference between actual and expected return. One purpose was to adopt a method which better accomplished the goal of smoothing volatility in investment returns.

Beginning in 2000, TRS began using the corridor method instead of the smoothing method. The corridor adjustment for 2000 resulted in an actuarial gain of 1.38%.

Effective June 30, 2002 - As a result of the Actuarial Audit performed by Milliman USA in 2002, the Board adopted a new asset valuation method. This new smoothing method - recognizes 20% of the investment gain or loss in each of the current and preceding four years. This method is being phased in over the next five years. Due to this change, the accumulated adjustment from the corridor method is now included in the amortization of the unfunded liability. Elimination of the corridor adjustment created a 2002 actuarial loss of .03% in TRS.





102% Funding Ratio Adjustments:

1998: PERS Board adopted an actuarial method that would target an ultimate funding ratio of 102%. An adjustment is made to the current and projected unfunded accrued liability so that the projected employer contributions to the System will result in an ultimate funding ratio of 102%. The 1998 adjustment created an actuarial loss of 0.99%.

2001: The adjustment for the 102% Target Funding Ratio created an actuarial loss of 0.57%

2003: Effective June 30, 2003, the PERS Board eliminated the requirement that the average employer contribution rate be calculated based on 102% of the system's accrued liability and instead adopted a target ratio of 100%. The change created an actuarial gain of 0.90%.

Ad hoc PRPA

1998: An ad hoc Post Retirement Pension Adjustment (PRPA) was granted which increased benefit payments to many Tier I (hired before July 1, 1990) retirees and producing an actuarial loss to TRS of approx. \$28,954,000 and PERS of \$28,204,000.

1999: An ad hoc PRPA was granted producing an actuarial loss to TRS of \$5,681,000/PERS of \$6,084,000

2000: An ad hoc PRPA was granted producing an actuarial loss to TRS of \$8,410,000 & PERS of \$9,495,000

2001: An ad hoc PRPA was granted producing an actuarial loss to TRS of \$8,226,000 & PERS of \$8,897,000

2002: An ad hoc PRPA was granted producing an actuarial loss to TRS of \$19,456,000 & PERS of \$20,105,000





System Benefit Changes:

2001 - TRS/PERS - Effective June 30, 2001, all retired member over age 60 and all members who retire with at least twenty-five years of membership service become eligible for full System-paid post employment healthcare benefits, regardless of hire date.

2002 - PERS - Effective June 30, 2002: For all Police/Fire member, the number of years for calculation of average monthly compensation is now 3 years; the occupational death benefit for survivors of Police/Fire members is not the greater of 50% of the member's final salary or 75% of the normal retirement benefit the member would have earned had the member survived to normal retirement age; upon reaching normal retirement age, a disabled Police/Fire member now receives the greater of his/her disability benefit or his/her normal retirement benefit.

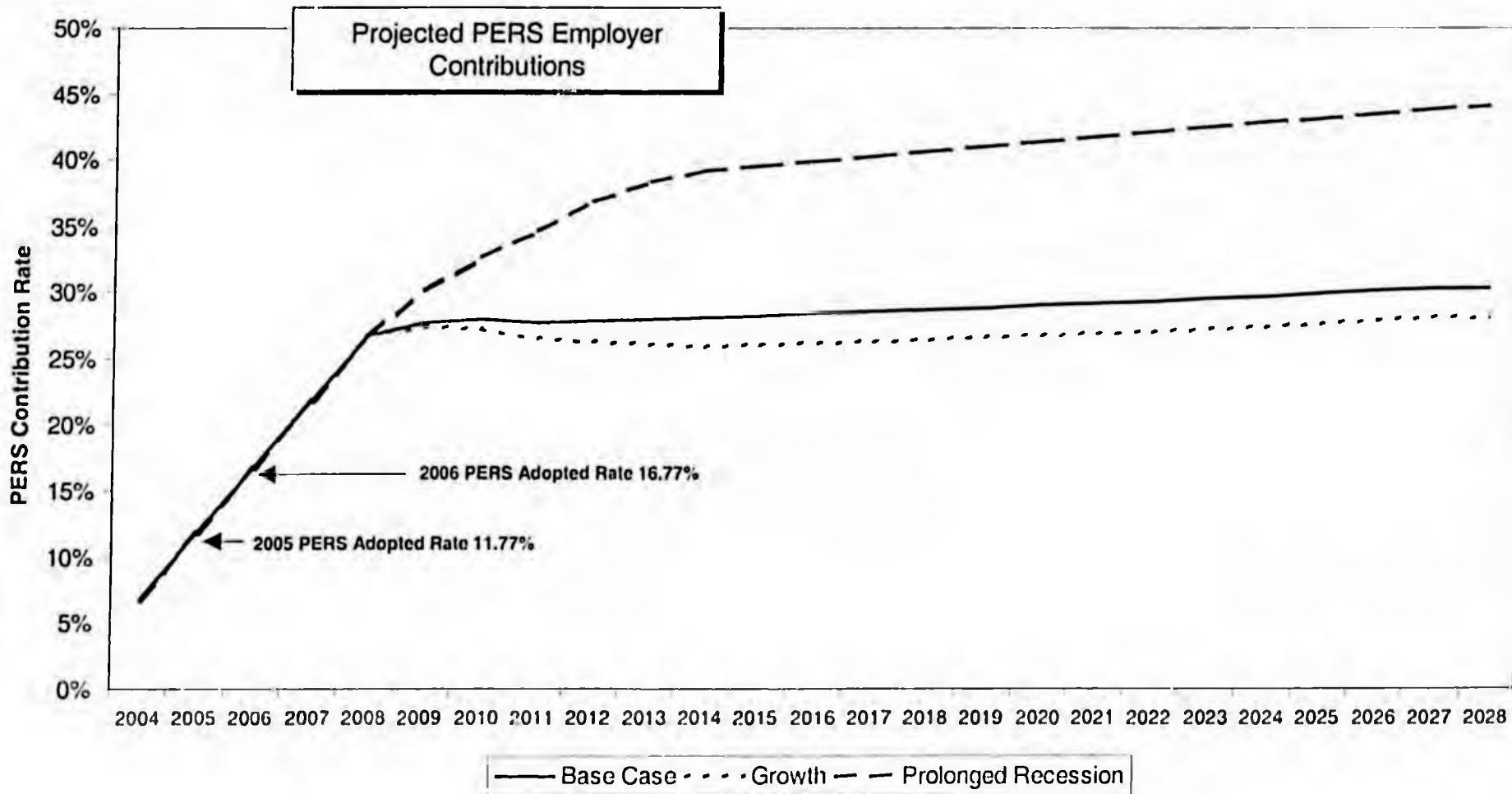
Salary Experience:

Adjustments as a result of differences between assumed salary increases and actual salary experience. For both PERS and TRS, salary increases over the past several years have been less than anticipated which has resulted in net actuarial gains to both systems.

Past Service Amortization Change:

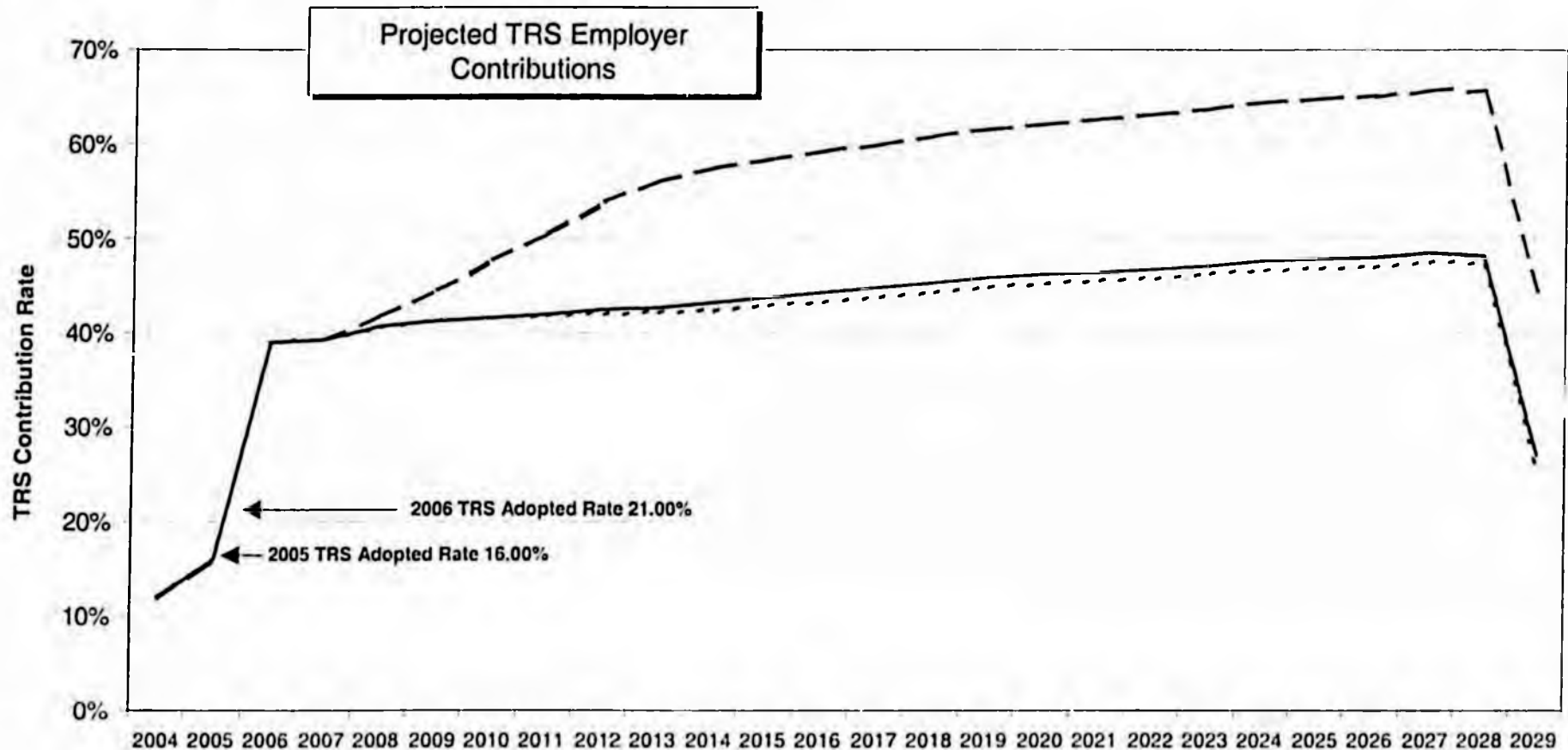
As a result of the 2002 Actuarial Audit performed by Milliman USA in 2002, effective June 30, 2002, the Board adopted a 25-year fixed period level percentage of pay amortization of the Unfunded Accrued Liability. This change is consistent with the 5-year recognition of gains or losses used in the new asset valuation method. The change in the Past Service Amortization methodology caused an actuarial gain in TRS of 9.08% and PERS of 5.06%.





To Catch Up, We're Now Facing Untenable Contribution Rates





— Base Case ··· Growth - - - Prolonged Recession

Assuming an Annual Population Increase 1%

To Catch Up, We're Now Facing Untenable Contribution Rates





FY 06 Normal Cost Comparisons – Proposed DC Plan vs. Existing TRS/PERS (all Tiers)

FY 06 Normal Cost Rates

	TRS	PERS	DC Plan
Medical normal cost rate	9.07%	8.68%	1.75%
Defined contribution rate	13.90%	11.37%	12.50%
HRA contribution rate	0.0%	0.0%	2.00%
Gross normal cost rate	22.97%	20.05%	16.25%
Member contribution rate	(8.69)%	(6.81)%	(8.00)%
Employer normal cost rate	14.28%	13.24%	8.25%





FY 07 Normal Cost Comparisons – Proposed DC Plan vs. Existing TRS/PERS (all Tiers)

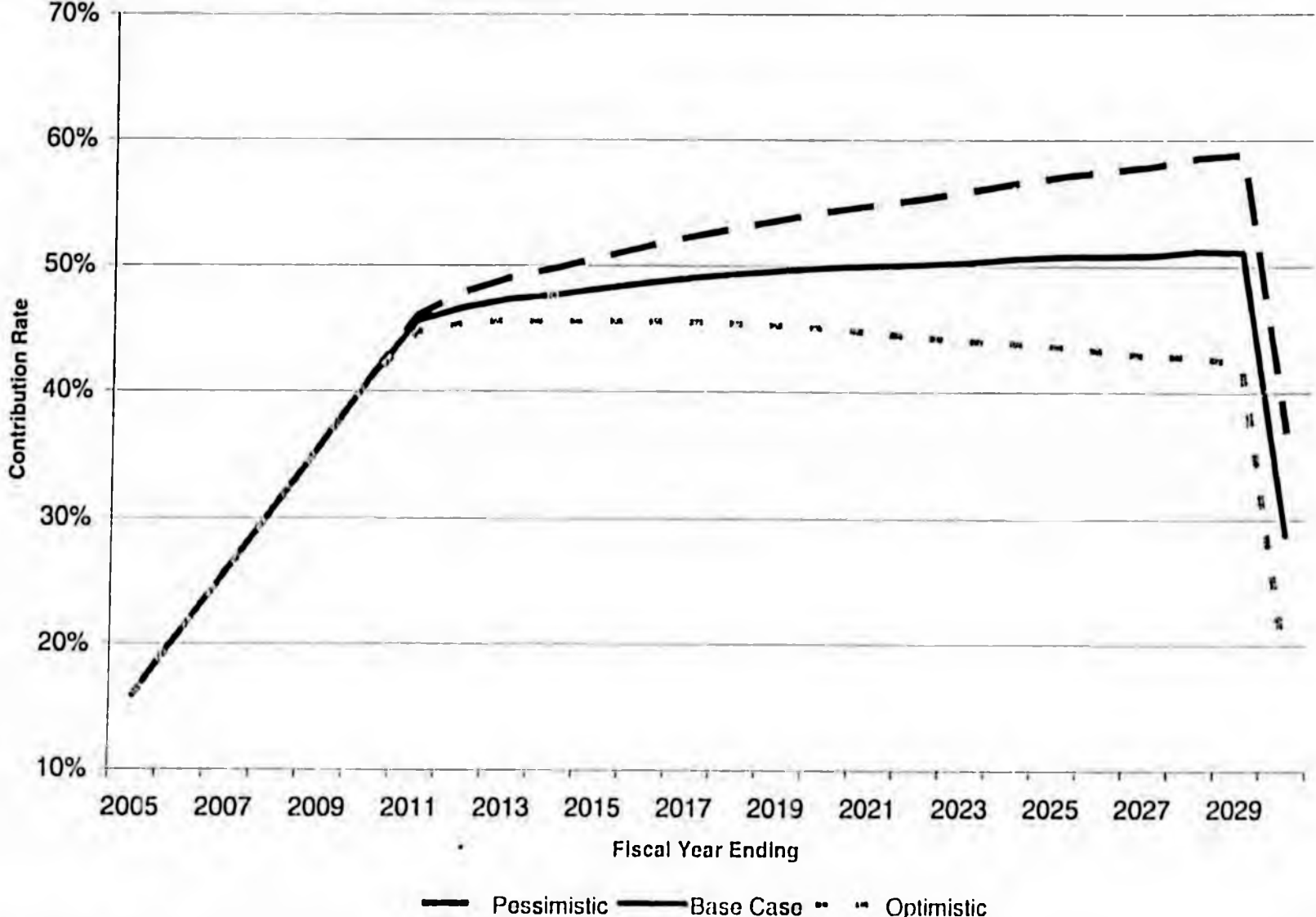
FY 07 Normal Cost Rates

	TRS	PERS	DC Plan
Medical normal cost rate	8.75%	8.86%	1.75%
Defined contribution rate	13.69%	11.27%	12.50%
HRA contribution rate	0.0%	0.0%	2.00%
Gross normal cost rate	22.44%	20.13%	16.25%
Member contribution rate	(8.68)%	(6.81)%	(8.00)%
Employer normal cost rate	13.76%	13.32%	8.25%



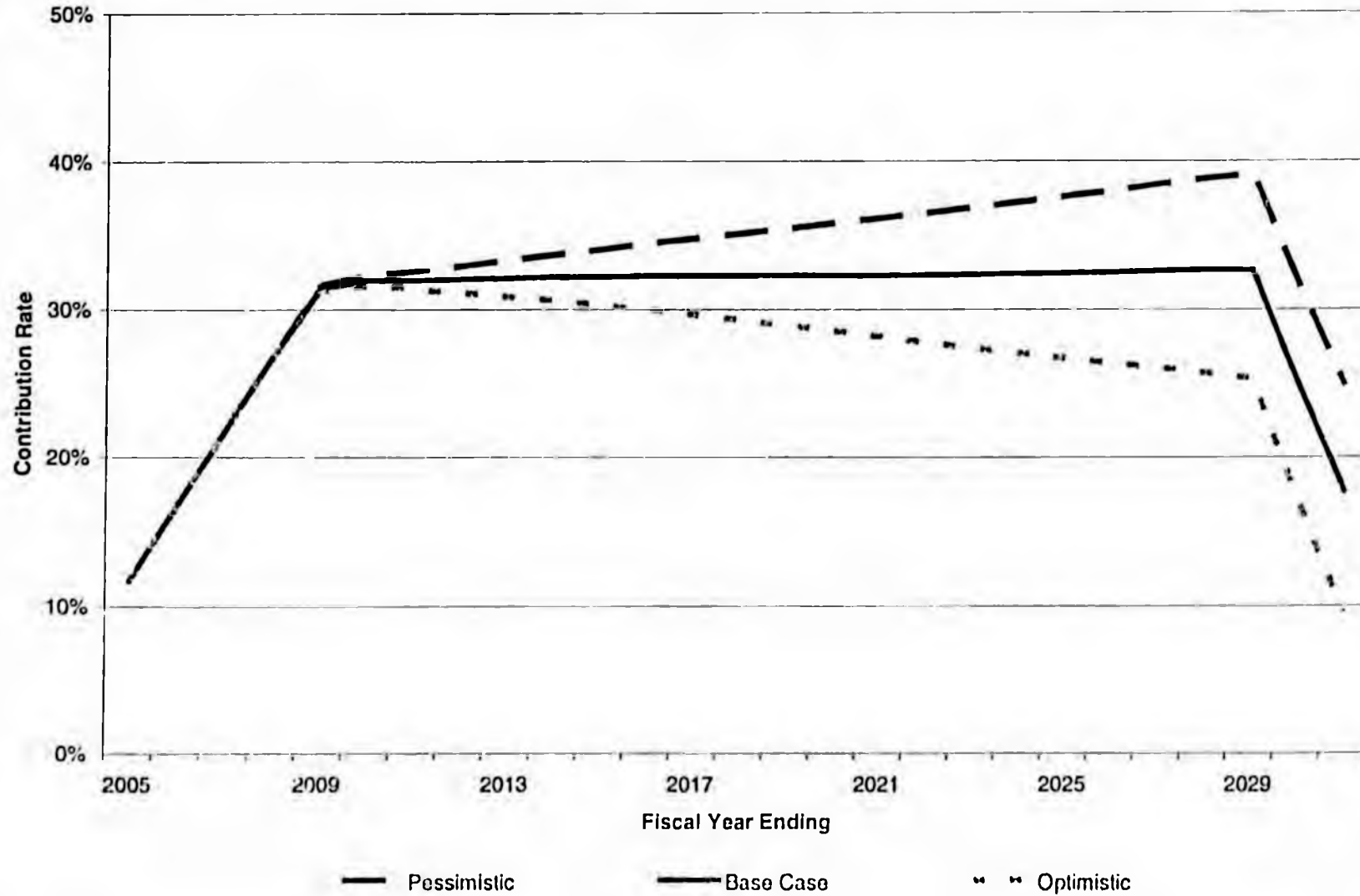
1.5(c) Actuarial Projections – Effect of Economic Scenarios (continued)

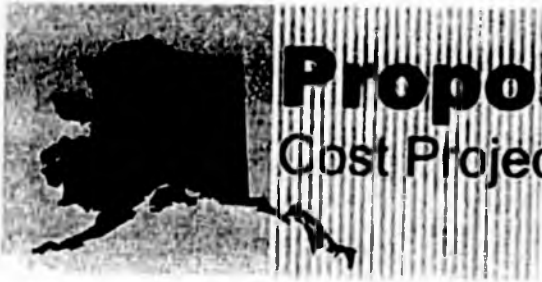
Contribution Rate



1.5(c) Actuarial Projections – Effect of Economic Scenarios (continued)

Contribution Rate

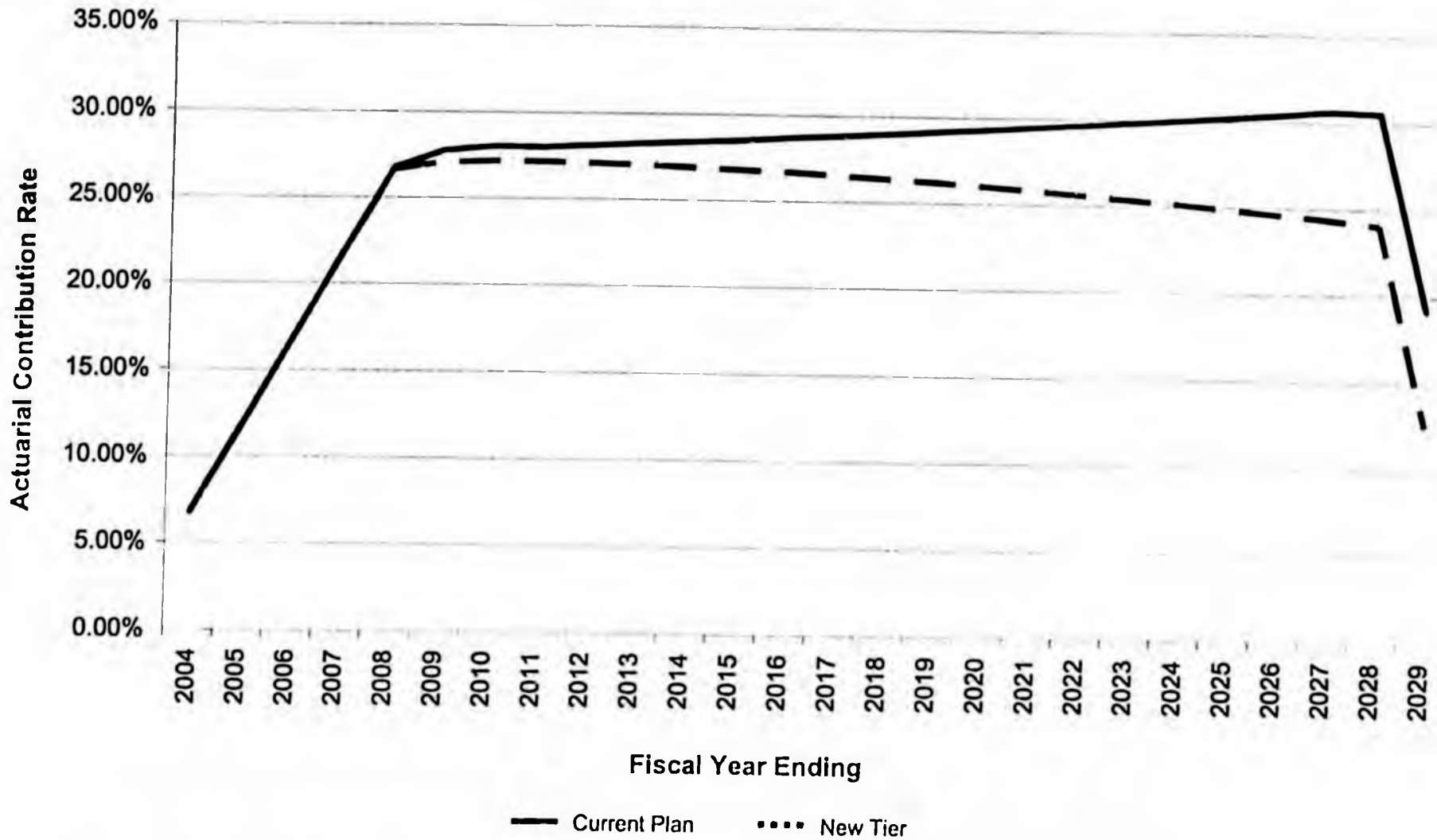




Proposed Alternatives

Cost Projections - PERS

Contribution Comparison – PERS

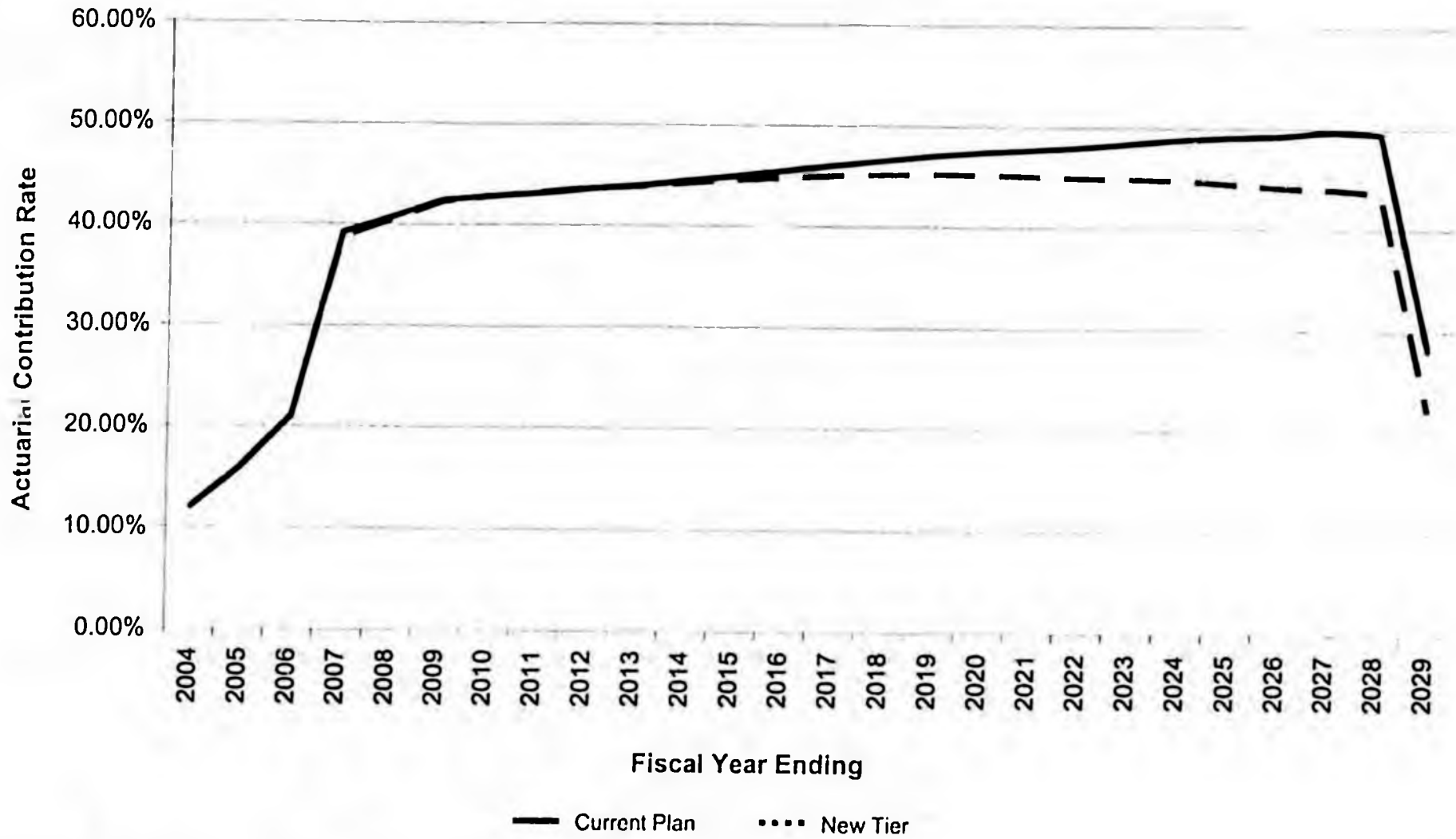




Proposed Alternatives

Cost Projections - TRS

Contribution Comparison – TRS



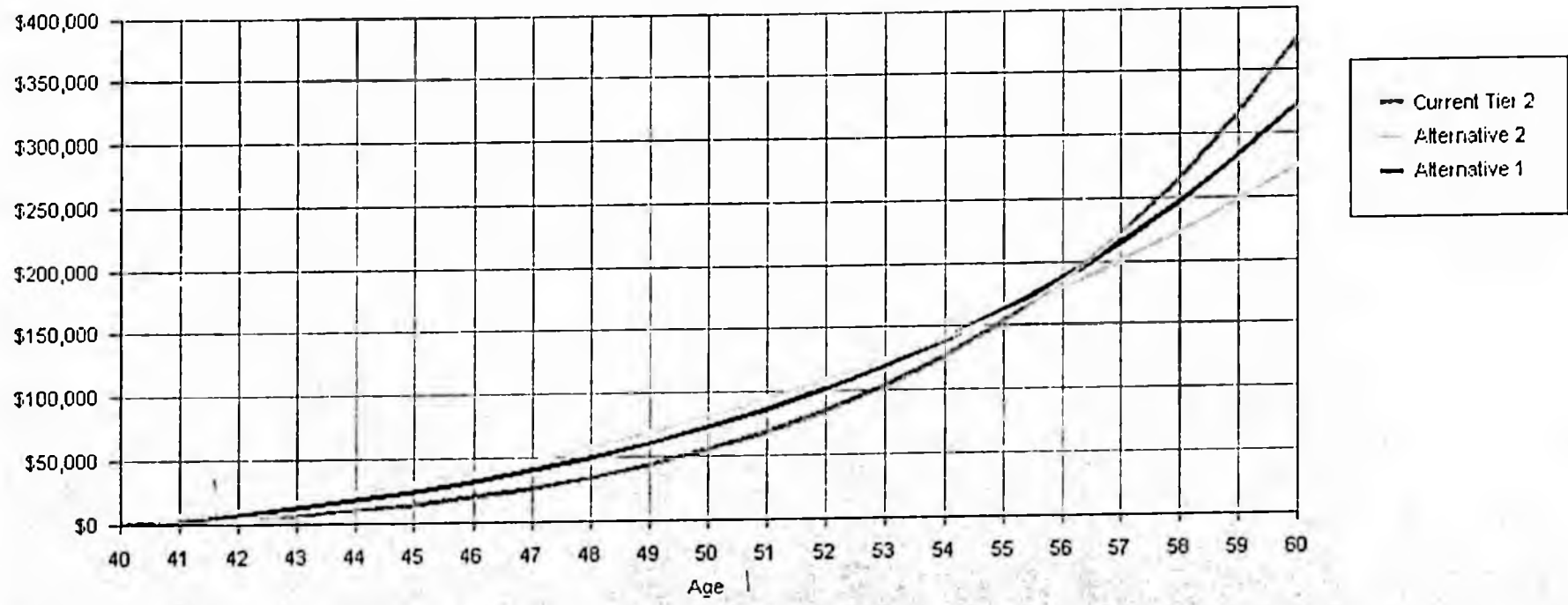


Proposed Alternatives

Accrual of Non-Medical Benefits - TRS

Present Value of Benefit Payable as a Lump Sum

Age = 40, Service = 0, Salary = \$35,000



Equity: Rate of return on account balance: 8.5%
 Bond: Rate of return on account balance: 4.5%
 Equity investment mix: 80% 70% 60% 50% 40% Post-retirement: 20%
 Salary increase rate: 5.5% 4%

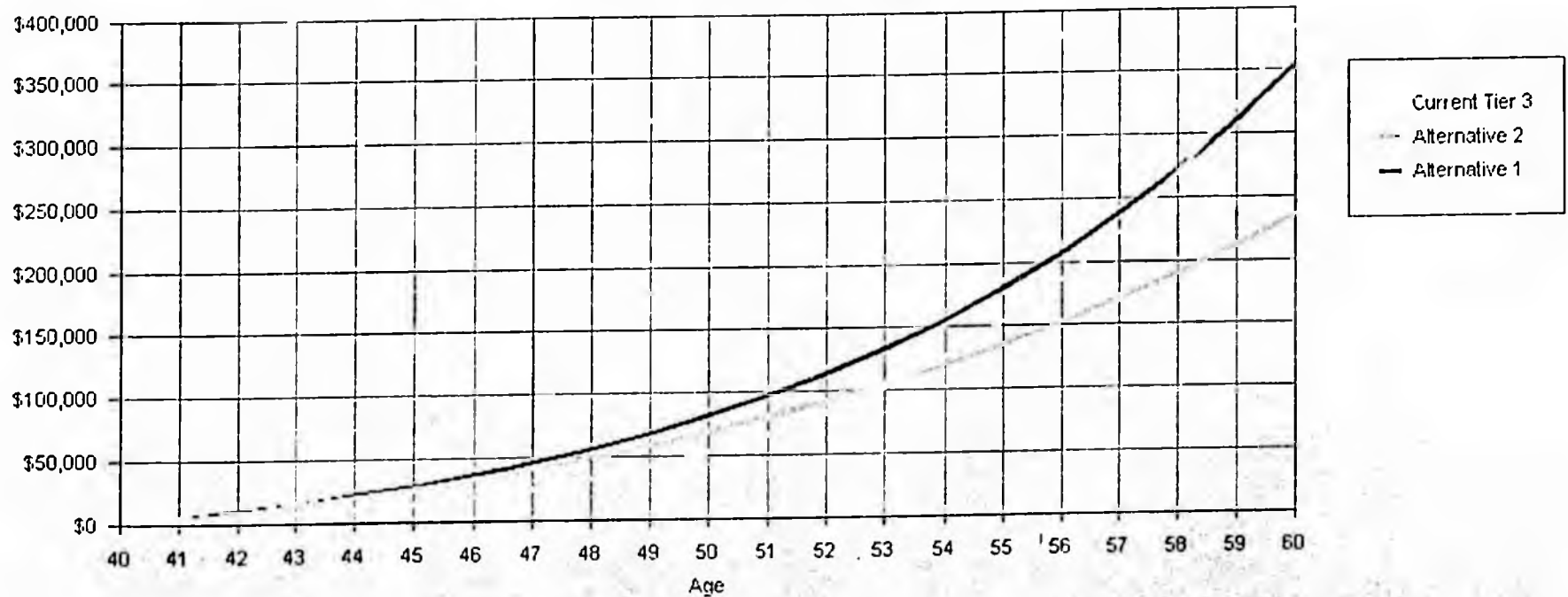


Proposed Alternatives

Accrual of Non-Medical Benefits - PERS

Present Value of Benefit Payable as a Lump Sum

Age = 40, Service = 0 Salary = \$35,000



Equity: Rate of return on account balance: 8.5%
 Bond: Rate of return on account balance: 4.5%
 Equity investment mix: 80% 70% 60% 50% 40% Post-retirement 20%
 Salary increase rate: 5.5% 4%

R/S Objected

WORK DRAFT

WORK DRAFT

WORK DRAFT

*Withdrawn
4/30/05*

H/28/05 PM

24-LS0637C
Craver
4/26/05

HOUSE CS FOR CS FOR SENATE BILL NO. 141(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FOURTH LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE FINANCE COMMITTEE

*4/28 PM
MOVED BY
Hawley*

A BILL

FOR AN ACT ENTITLED

*Reggie
OBJECTED*

left at that

1 "An Act relating to the teachers' and public employees' retirement systems and creating
2 defined contribution and health reimbursement plans for members of the teachers'
3 retirement system and the public employees' retirement system who are first hired after
4 July 1, 2005; relating to university retirement programs; establishing the Alaska
5 Retirement Management Board to replace the Alaska State Pension Investment Board,
6 the Alaska Teachers' Retirement Board, and the Public Employees' Retirement Board;
7 adding appeals of the decisions of the administrator of the teachers' and public
8 employees' retirement systems to the jurisdiction of the office of administrative
9 hearings; providing for nonvested members of the teachers' retirement system defined
10 benefit plans to transfer into the teachers' retirement system defined contribution plan
11 and for nonvested members of the public employees' retirement system defined benefit
12 plans to transfer into the public employees' retirement system defined contribution

L

1 plan; providing for political subdivisions and public organizations to request to
2 participate in the public employees' defined contribution retirement plan; and providing
3 for an effective date."

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

5 * Section 1. AS 14.25 is amended by adding new sections to read:

6 **Article 1. Administration of the Teachers' Retirement System.**

7 **Sec. 14.25.001. Purpose.** The purpose of this chapter is to encourage
8 qualified teachers to enter and remain in service with participating employers by
9 establishing plans for the payment of retirement and death benefits to or on behalf of
10 the members.

11 **Sec. 14.25.002. Attorney general.** The attorney general of the state is the
12 legal counsel for the system and shall advise the administrator and represent the
13 system in a legal proceeding.

14 **Sec. 14.25.003. Administrator.** (a) The commissioner of administration or
15 the commissioner's designee is the administrator of the system.

16 (b) The commissioner of administration shall adopt regulations to govern the
17 operation of the system.

18 **Sec. 14.25.004. Powers and duties of the administrator.** (a) The
19 administrator shall

20 (1) establish and maintain an adequate system of accounts;

21 (2) transmit the funds deposited in the system to the retirement fund
22 established and maintained by the Alaska Retirement Management Board;

23 (3) approve or disapprove claims for retirement benefits;

24 (4) make payments for the various purposes specified;

25 (5) submit periodic reports or statements of account that are needed;

26 (6) issue a statement of account to an employee not less than once each
27 year showing the amount of the employee's contributions to the applicable plan in the
28 system;

29 (7) formulate and recommend to the commissioner of administration
30 regulations to govern the operation of the system;

1 (8) as soon as possible after the close of each fiscal year, and not later
2 than six months after the close of each fiscal year, send to the governor and the
3 legislature an annual statement on the operations of each of the plans in the system
4 containing

5 (A) a balance sheet;

6 (B) a statement of income and expenditures for the previous
7 fiscal year;

8 (C) a report on valuation of trust fund assets;

9 (D) a summary of assets held in the trust fund listed by the
10 categories of investment, as provided by the Alaska Retirement Management
11 Board;

12 (E) other statistical financial data that are necessary for proper
13 understanding of the financial condition of the system as a whole and each plan
14 in the system and the result of its operations;

15 (9) engage an independent certified public accountant to conduct an
16 annual audit of each plan's accounts and the annual report of the system's financial
17 condition and activity;

18 (10) report to the Legislative Budget and Audit Committee concerning
19 the condition and administration of each plan and distribute the report to the members
20 of each plan in the system;

21 (11) publish an information handbook for each plan in the system at
22 intervals that the administrator considers appropriate;

23 (12) meet at least annually with the board to review the condition and
24 management of the retirement systems and to review significant changes to policies,
25 regulations, or benefits; and

26 (13) do whatever else may be necessary to carry out the purposes of
27 each plan in the system.

28 (b) The administrator is authorized to charge fees necessary to members'
29 accounts to cover the ongoing cost of operating each plan in the system.

30 (c) The administrator is authorized to contract with public and private entities
31 to provide record keeping, benefits payments, and other functions necessary for the

1 administration of each plan in the system.

2 Sec. 14.25.005. Regulations. (a) Regulations adopted by the commissioner
3 of administration under this chapter relate to the internal management of a state
4 agency, and the adoption of the regulations is not subject to AS 44.62 (Administrative
5 Procedure Act).

6 (b) Notwithstanding (a) of this section, a regulation adopted under this chapter
7 shall be published in the Alaska Administrative Register and Code for informational
8 purposes.

9 (c) Each regulation adopted under this chapter must conform to the style and
10 format requirements of the drafting manual for administrative regulations that is
11 published under AS 44.62.050.

12 (d) At least 30 days before the adoption, amendment, or repeal of a regulation
13 under this chapter, the commissioner of administration shall provide notice of the
14 action that is being considered. The notice shall be

15 (1) posted in public buildings throughout the state;

16 (2) published in one or more newspapers of general circulation in each
17 judicial district of the state;

18 (3) mailed to each person or group that has filed a request for notice of
19 proposed action with the commissioner of administration; and

20 (4) furnished to each member of the legislature and to the Legislative
21 Affairs Agency.

22 (e) Failure to mail notice to a person as required under (d)(3) of this section
23 does not invalidate an action taken by the commissioner of administration.

24 (f) The commissioner of administration may hold a hearing on a proposed
25 regulation.

26 (g) A regulation adopted under this chapter takes effect 30 days after adoption
27 by the commissioner of administration.

28 (h) Notwithstanding the other provisions of this section, a regulation may be
29 adopted, amended, or repealed, effective immediately, as an emergency regulation by
30 the commissioner of administration. For an emergency regulation to be effective the
31 commissioner must find that the adoption, amendment, or repeal of the regulation is

1 necessary for the immediate preservation of the orderly operation of the system. The
2 commissioner shall, within 10 days after adoption of an emergency regulation, give
3 notice of the adoption under (d) of this section.

4 (i) In this section, "regulation" has the meaning given in AS 44.62.640(a).

5 Sec. 14.25.006. Appeals. An employer, member, annuitant, or beneficiary
6 may appeal a decision made by the administrator to the office of administrative
7 hearings established under AS 44.64. An aggrieved party may appeal a final decision
8 to the superior court.

9 Sec. 14.25.007. Investment management of retirement system funds. The
10 Alaska Retirement Management Board established under AS 37.10.210 is the
11 fiduciary of the system funds.

12 Sec. 14.25.008. Definitions. In AS 14.25.001 - 14.25.008,

13 (1) "plan" means the retirement plan established in AS 14.25.009 -
14 14.25.220 or the retirement plan established in AS 14.25.310 - 14.25.590;

15 (2) "system" means all retirement plans established under the teachers'
16 retirement system.

17 Article 2. Teachers First Hired before July 1, 2005.

18 Sec. 14.25.009. Applicability of AS 14.25.009 - 14.25.220. The provisions of
19 AS 14.25.009 - 14.25.220 apply only to members first hired before July 1, 2005.

20 * Sec. 2. AS 14.25.010 is amended to read:

21 Sec. 14.25.010. Retirement plan [SYSTEM] established; federal
22 qualification requirements. (a) A joint-contributory retirement plan [SYSTEM] for
23 teachers of the state is created.

24 (b) The retirement plan [SYSTEM] established by AS 14.25.009 - 14.25.220
25 [THIS CHAPTER] is intended to qualify under 26 U.S.C. 401(a) and 414(d) (Internal
26 Revenue Code) as a qualified retirement plan established and maintained by the state
27 for its employees, for the employees of school districts and regional educational
28 attendance areas in the state, and for the employees of other employers whose
29 participation is authorized by AS 14.25.009 - 14.25.220 [THIS CHAPTER] and who
30 participate in this plan [SYSTEM].

31 (c) An amendment to AS 14.25.009 - 14.25.220 [THIS CHAPTER] does not

1 provide a person with a vested right to a benefit if the Internal Revenue Service
2 determines that the amendment will result in disqualification of the plan under the
3 Internal Revenue Code.

4 * Sec. 3. AS 14.25.012(b) is amended to read:

5 (b) The plan [SYSTEM] created in AS 14.25.009 - 14.25.220 became
6 effective as of July 1, 1955, at which time contributions by the participating employers
7 and members began.

8 * Sec. 4. AS 14.25.012 is amended by adding a new subsection to read:

9 (c) Employees first hired after June 30, 2005, are not eligible to participate in
10 the plan established in AS 14.25.009 - 14.25.220.

11 * Sec. 5. AS 14.25.040(a) is amended to read:

12 (a) Unless a teacher or member participates in a [HAS ELECTED TO
13 PARTICIPATE IN THE OPTIONAL] university retirement program under
14 AS 14.40.661 - 14.40.799, [OR] has filed an election under AS 14.25.043(b), or has
15 elected to participate in the plan established in AS 14.25.310 - 14.25.590, a teacher
16 or member contracting for service with a participating employer is subject to
17 AS 14.25.009 - 14.25.220 [THIS CHAPTER].

18 * Sec. 6. AS 14.25.040(d) is amended to read:

19 (d) A person who is employed at least half-time in the plan [SYSTEM] during
20 the same period that the person is employed at least half-time in a position in the
21 public employees' retirement plan [SYSTEM] under AS 39.35.095 - 39.35.680
22 [AS 39.35] shall receive credited service under each plan [SYSTEM] for half-time
23 employment. However, the amount of credited service a person receives under the
24 public employees' retirement plan [SYSTEM] during a school year may not exceed
25 the amount necessary, when added to the amount of credited service earned during the
26 school year under the plan [SYSTEM], to equal one year of credited service. A
27 person who was employed at least half-time in a position in the public employees'
28 retirement plan [SYSTEM] under AS 39.35.095 - 39.35.680 [AS 39.35] in the same
29 period that the person was employed at least half-time in a position in this plan
30 [SYSTEM] may claim credited service in both plans [SYSTEMS] for employment
31 before May 31, 1989. To obtain this credited service, the person shall claim the

1 service and verify the period of half-time employment. When eligibility for half-time
2 service credit has been established, an indebtedness shall be determined to the
3 retirement plan [SYSTEM] in which the person did not participate. The amount of
4 the indebtedness is the full actuarial cost of providing benefits for the credited service
5 claimed. Interest as prescribed by regulation accrues on that indebtedness beginning
6 on the later of July 1, 1989, or the date on which the member is first eligible to claim
7 the service. Any outstanding indebtedness existing at the time the person retires will
8 require an actuarial adjustment to the benefits payable based on that service.

9 * Sec. 7. AS 14.25.070 is repealed and reenacted to read:

10 Sec. 14.25.070. Contributions by employer. (a) An employer shall
11 contribute to the plan the amount certified by the board that is required in addition to
12 member contributions to provide the benefits of AS 14.25.009 - 14.25.220.

13 (b) The board shall calculate the employer contribution rate as a percentage
14 applied to the sum total of the base salaries of all members, including any adjustments
15 to contributions by the employer required by AS 14.25.173(a), necessary to yield the
16 amount under (a) of this section, but the board may not set the rate at less than 11
17 percent.

18 * Sec. 8. AS 14.25.075(a) is amended to read:

19 (a) An employee who is eligible to purchase credited service under
20 AS 14.25.047 or 14.25.048, a member who is eligible to purchase credited service
21 under AS 14.25.048, 14.25.050, 14.25.060, 14.25.061, [14.25.062,] 14.25.100, or
22 14.25.107, or a teacher who is eligible to purchase credited service under
23 AS 14.20.345, AS 14.25.050, [14.25.062,] or 14.25.105, in lieu of making payments
24 directly to the plan, may elect to have the member's employer make payments as
25 provided in this section.

26 * Sec. 9. AS 14.25.075(b) is amended to read:

27 (b) A member may elect to have the employer make payments for all or any
28 portion of the amounts payable for the member's purchase of credited service through
29 a salary reduction program as follows:

30 (1) the amounts paid under a salary reduction program are in lieu of
31 contributions by the member making the election; the electing member's salary or

1 other compensation shall be reduced by the amount paid by the employer under this
2 subsection;

3 (2) the member shall make an irrevocable election under this
4 subsection to purchase credited service as stated in AS 14.20.345, AS 14.25.047,
5 14.25.048, 14.25.050, 14.25.060, 14.25.061, [14.25.062,] 14.25.100, 14.25.105, or
6 14.25.107 before the member's termination of employment; the irrevocable election
7 must specify the number of payroll periods that deductions will be made from the
8 member's compensation and the dollar amount of deductions for each payroll period
9 during the specified number of payroll periods; the deductions made under this
10 paragraph cease upon the earlier of the member's termination of employment with the
11 employer or the member's death; amounts paid by an employer under (f) of this
12 section may not be applied toward the payment of the dollar amount of the deductions
13 representing the portion of the credited service that is being purchased by the member
14 through payroll deduction in accordance with the member's irrevocable election under
15 this paragraph;

16 (3) amounts paid by an employer under this subsection shall be treated
17 as employer contributions for the purpose of determining tax treatment under 26
18 U.S.C. (Internal Revenue Code); the amounts paid by the employer under this section
19 may not be included in the member's gross income for income tax purposes until those
20 amounts are distributed by refund or retirement benefit payments.

21 * Sec. 10. AS 14.25.075(e) is amended to read:

22 (e) Contributions to the plan [SYSTEM] to purchase credited service under
23 this section do not qualify for treatment under this section if recognition of that service
24 would cause a member to receive a retirement benefit for the same service from the
25 plan [SYSTEM] and from one or more other retirement plans or systems of the state.

26 * Sec. 11. AS 14.25.075(f) is amended to read:

27 (f) The administrator may accept rollover contributions from a member [,
28 AND DIRECT TRANSFERS AS DESCRIBED IN THIS SUBSECTION, FOR THE
29 PURCHASE, IN WHOLE OR IN PART, OF FORFEITED CREDITED SERVICE
30 UNDER THIS SECTION FOR THE REINSTATEMENT, IN WHOLE OR IN PART,
31 OF FORFEITED CREDITED SERVICE UNDER AS 14.25.062]. Contributions

1 made under this subsection may not be applied to purchase service being paid under
2 (b) of this section. A rollover contribution [OR TRANSFER] as described in this
3 subsection shall be treated as employer contributions for the purpose of determining
4 tax treatment under the Internal Revenue Code and may be made by any one or a
5 combination of the following methods:

6 (1) subject to the limitations prescribed in 26 U.S.C. 402(c), accepting
7 eligible rollover distributions directly from one or more retirement programs of
8 another employer that are qualified under 26 U.S.C. 401(a) or accepting rollovers
9 directly from a member;

10 (2) subject to the limitations prescribed in 26 U.S.C. 408(d)(3)(A)(ii),
11 accepting from a member conduit rollover contributions that are received by the
12 member from one or more conduit rollover individual retirement accounts previously
13 established by the member;

14 (3) subject to the limitations prescribed in 26 U.S.C. 403(b)(13),
15 accepting direct trustee-to-trustee transfers of all or a portion of the accounts of the
16 member, on or after January 1, 2002, from a tax sheltered annuity described in 26
17 U.S.C. 403(b);

18 (4) subject to the limitations prescribed in 26 U.S.C. 457(e)(17),
19 accepting direct trustee-to-trustee transfers of all or a portion of the accounts of the
20 member, on or after January 1, 2002, from an eligible deferred compensation plan of a
21 tax-exempt organization or a state or local government described in 26 U.S.C. 457(b);

22 (5) accepting direct trustee-to-trustee transfer from an account
23 established for the benefit of the member in AS 39.30.150 - 39.30.180 (Alaska
24 Supplemental Annuity Plan).

25 * Sec. 12. AS 14.25.075(i) is amended to read:

26 (i) On satisfaction of the eligibility requirements of AS 14.20.345,
27 AS 14.25.047, 14.25.048, 14.25.050, 14.25.060, 14.25.061, [14.25.062,] 14.25.100,
28 14.25.105, or 14.25.107, the requirements of this section, and the administrative filing
29 requirements specified by the administrator, the plan shall adjust the member's
30 credited service history and add any additional service credits acquired.

31 * Sec. 13. AS 14.25.115(a) is amended to read:

1 (a) A teacher in membership service on or after July 1, 1977, who is appointed
2 to retirement on or after July 1, 1978, may elect to apply unused sick leave credit in
3 computing the total number of years of credited service under AS 14.25.110(d) except
4 for sick leave earned while participating in a [THE OPTIONAL] university retirement
5 program under AS 14.40.661 - 14.40.799. To obtain service credit for unused sick
6 leave, a teacher must apply to the administrator not [NO] later than one year after
7 appointment to retirement. Unused sick leave shall be credited on a day-for-day basis
8 in accordance with the table for service after July 1, 1969, contained in
9 AS 14.25.220(45). Teacher contributions may not be required for credited unused sick
10 leave.

11 * Sec. 14. AS 14.25.143(a), as that subsection read following amendment by sec. 3, ch.
12 146, SLA 1: 30, until amended by sec. 12, ch. 106, SLA 1988, is amended to read:

13 (a) When the administrator determines that the cost of living has increased and
14 that the financial condition of the retirement fund permits, the administrator shall
15 increase benefit payments to persons receiving benefits under this plan. For
16 purposes of this subsection, the financial condition of the fund would only permit
17 an increase in benefits when the ratio of total fund assets to the accrued liability
18 meets or exceeds 110 percent. In this subsection, "accrued liability" means the
19 present value of all member benefits accrued by member service in this plan
20 [SYSTEM].

21 * Sec. 15. AS 14.25.143(a), as that subsection read following amendment by sec. 12, ch.
22 106, SLA 1988, until amended by sec. 12, ch. 97, SLA 1990, is amended to read:

23 (a) When the administrator determines that the cost of living has increased and
24 that the financial condition of the retirement fund [SYSTEM] permits, the
25 administrator shall increase benefit payments to persons receiving benefits under this
26 plan. For purposes of this subsection, the financial condition of the fund would
27 only permit an increase in benefits when the ratio of total fund assets to the
28 accrued liability meets or exceeds 110 percent. In this subsection, "accrued
29 liability" means the present value of all member benefits accrued by member
30 service in this plan [SYSTEM].

31 * Sec. 16. AS 14.25.145 is amended to read:

1 Sec. 14.25.145. Interest on individual accounts. Interest shall be credited to
2 each teacher's account at the end of each school year at the rate prescribed by the
3 board [REGULATION] for that year.

4 * Sec. 17. AS 14.25.150 is amended by adding a new subsection to read:

5 (c) A member who has received a refund of contributions in accordance with
6 this section forfeits corresponding credited service under AS 14.25.009 - 14.25.220.

7 * Sec. 18. AS 14.25.173(c) is amended to read:

8 (c) At least quarterly, [AT EACH REGULARLY SCHEDULED MEETING
9 OF THE TEACHERS' RETIREMENT BOARD,] the administrator shall report to the
10 commissioner of administration [BOARD] on all situations since the administrator's
11 last report in which an adjustment has been prohibited under (b) of this section. If the
12 commissioner of administration [BOARD] finds that there is reason to believe that
13 one or more of the conditions set out in (b) of this section have not been met, the
14 administrator shall notify the member or beneficiary that an adjustment will be made
15 to recover the overpayment. A member or beneficiary who receives notice of
16 adjustment under this subsection may file a request with the commissioner of
17 administration [APPEAL TO THE BOARD] for a waiver of the adjustment under
18 AS 14.25.175. An adjustment that requires the repayment of benefits may not be
19 required while the waiver request [APPEAL] is pending.

20 * Sec. 19. AS 14.25.175(a) is amended to read:

21 (a) Upon request [APPEAL] by an affected member or beneficiary under (b)
22 of this section, the commissioner of administration [BOARD] may waive an
23 adjustment or a portion of an adjustment made under AS 14.25.173 if, in the opinion
24 of the commissioner of administration [BOARD],

25 (1) the adjustment or portion of the adjustment will cause undue
26 hardship to the member or beneficiary;

27 (2) the adjustment was not the result of erroneous information supplied
28 by the member or beneficiary;

29 (3) before the adjustment was made, the member or beneficiary
30 received confirmation from the administrator that the member's or beneficiary's
31 records were correct; and

1 (4) the member or beneficiary had no reasonable grounds to believe
2 the records were incorrect before the adjustment was made.

3 * Sec. 20. AS 14.25.175(b) is amended to read:

4 (b) In order to obtain consideration of a waiver under this section, the affected
5 member or beneficiary shall file a request with [MUST APPEAL TO] the
6 commissioner of administration [BOARD] in writing within 30 days after receipt of
7 notice that the records have been adjusted. The ruling of the commissioner of
8 administration [BOARD] shall be in writing.

9 * Sec. 21. AS 14.25.175(c) is repealed and reenacted to read:

10 (c) A ruling of the commissioner of administration to deny a waiver under (b)
11 of this section may be appealed to the office of administrative hearings established
12 under AS 44.64.

13 * Sec. 22. AS 14.25.175(d) is amended to read:

14 (d) The office of administrative hearings [BOARD] may reverse the
15 commissioner of administration's decision to deny a waiver and may impose
16 conditions on granting a waiver that it considers equitable. These conditions may
17 include requiring the member or beneficiary to make additional contributions to the
18 plan [SYSTEM].

19 * Sec. 23. AS 14.25.220(2) is amended to read:

20 (2) "actuarial adjustment" means the adjustment necessary to obtain
21 equality in value of the aggregate expected payments under two different forms of
22 pension payments, considering expected mortality and interest earnings on the basis of
23 assumptions, factors, and methods specified in regulations issued under the plan
24 [SYSTEM] that are formally adopted [UNDER AS 14.25.022] by the board and that
25 clearly preclude employer discretion in the determination of the amount of any
26 member's benefit;

27 * Sec. 24. AS 14.25.220(3) is amended to read:

28 (3) "administrator" means the [PERSON APPOINTED BY THE]
29 commissioner of administration or the commissioner's designee under AS 14.25.003
30 [AS 14.25.015];

31 * Sec. 25. AS 14.25.220(9) is amended to read:

1 (9) "board" means the Alaska Retirement Management [ALASKA
2 TEACHERS' RETIREMENT] Board established under AS 37.10.210 [AS 14.25.035];

3 * Sec. 26. AS 14.25.220(40) is amended to read:

4 (40) "supplemental contribution account" means the account
5 maintained by the plan [SYSTEM] to record the supplemental contributions of each
6 member, including interest and adjustments to the account [IN ACCORDANCE
7 WITH AS 14.25.170];

8 * Sec. 27. AS 14.25.220(42) is amended to read:

9 (42) "teacher" and "member" are used interchangeably under the
10 chapter and mean a person eligible to participate in the system and who is covered by
11 the system, limited to

12 (A) a certificated full-time or part-time elementary or
13 secondary teacher, a certificated school nurse, or a certificated person in a
14 position requiring a teaching certificate as a condition of employment in a
15 public school of the state, the Department of Education and Early
16 Development, or the Department of Labor and Workforce Development;

17 (B) a full-time or part-time teacher of the University of Alaska
18 or a person occupying a full-time administrative position at the University of
19 Alaska that requires academic standing; the approval of the administrator must
20 be obtained before an administrative position qualifies for membership in the
21 system; however, a teacher or administrative person at the university who is
22 participating in a [THE OPTIONAL] university retirement program under
23 AS 14.40.661 - 14.40.799 is not a member under this system;

24 (C) a state legislator who elects membership under
25 AS 14.25.040(b);

26 * Sec. 28. AS 14.25.220 is amended by adding a new paragraph to read:

27 (46) "plan" means the retirement benefit plan established under
28 AS 14.25.009 - 14.25.220.

29 * Sec. 29. AS 14.25 is amended by adding new sections to read:

30 Article 3. Teachers First Hired on or after July 1, 2005.

31 Sec. 14.25.310. Applicability of AS 14.25.310 - 14.25.590. The provisions of

1 AS 14.25.310 - 14.25.590 apply only to teachers who first become members on or
2 after July 1, 2005, or to members who transfer into the defined contribution plan under
3 AS 14.25.540.

4 **Sec. 14.25.320. Defined contribution retirement plan established.** (a) A
5 defined contribution retirement plan for teachers of the state is created.

6 (b) The defined contribution retirement plan includes a plan in which savings
7 are accumulated in an individual account for the exclusive benefit of the member or
8 beneficiaries. The plan is established effective July 1, 2005, at which time
9 contributions by employers and members begin.

10 (c) The defined contribution retirement plan is intended to qualify under 26
11 U.S.C. 401(a) and 414(d) (Internal Revenue Code) as a qualified retirement plan
12 established and maintained by the state for its employees and for the employees of
13 school districts and regional educational attendance areas in the state.

14 (d) An amendment to the defined contribution retirement plan does not
15 provide a person with a vested right to a benefit if the Internal Revenue Service
16 determines that the amendment will result in disqualification of the plan under the
17 Internal Revenue Code.

18 **Sec. 14.25.330. Membership.** (a) A teacher who first becomes a member on
19 or after July 1, 2005, shall participate in the plan as a member of the defined
20 contribution retirement plan.

21 (b) A teacher who is participating in a university retirement program under
22 AS 14.40.661 - 14.40.799 may not participate as a member of the defined contribution
23 retirement plan.

24 **Sec. 14.25.340. Contributions by members.** (a) Each member shall
25 contribute to the member's individual account an amount equal to eight percent of the
26 member's compensation from July 1 to the following June 30.

27 (b) Subject to the limitations on contributions under AS 14.25.380, a member
28 may elect to make additional contributions to the member's individual account.

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 administrator to the member's individual account. The contributions shall be

1 deducted from member's compensation before the computation of applicable federal
2 taxes and shall be treated as employer contributions under 26 U.S.C. 414(h)(2). A
3 member may not have the option of making the payroll deduction directly in cash
4 instead of having the contribution picked up by the employer.

5 **Sec. 14.25.345. Employment contributions mandatory.** (a) Contributions
6 of members shall be made by payroll deductions. Each member shall be considered to
7 consent to payroll deductions. It is of no consequence that a payroll deduction may
8 cause the compensation paid in cash to a member to be reduced below the minimum
9 required by law.

10 (b) Payment of a member's compensation, less payroll deductions, is a full and
11 complete discharge and satisfaction of all claims and demands by the member relating
12 to remuneration of services during the period covered by the payment, except with
13 respect to the benefits provided under the plan.

14 **Sec. 14.25.350. Contributions by employers.** (a) An employer shall
15 contribute to each member's individual account an amount equal to 4.5 percent of the
16 member's compensation from July 1 to the following June 30.

17 (b) An employer shall also contribute an amount equal to 1.75 percent of each
18 member's compensation from July 1 to the following June 30 to pay for retiree major
19 medical insurance. This contribution shall be paid into the group health and life
20 benefits fund established by the commissioner of administration under AS 39.30.095
21 and shall be accounted for in accordance with regulations established by the
22 commissioner.

23 (c) An employer shall also make contributions to the health reimbursement
24 arrangement plan under AS 39.30.300.

25 **Sec. 14.25.360. Rollover contributions and distributions.** (a) A teacher
26 entering the plan may elect, at the time and in the manner prescribed by the
27 administrator, to have all or part of a direct rollover distribution from an eligible
28 retirement plan owned by the member paid directly into the member's individual
29 account.

30 (b) Rollover contributions do not count as a purchase of membership service
31 for the purpose of determining years of service.

1 (c) A distributee may elect, at the time and in the manner prescribed by the
2 administrator, to have all or part of a direct rollover distribution paid directly to an
3 eligible retirement plan specified by the distributee in the direct rollover.

4 (d) In this section,

5 (1) "direct rollover" means the payment of an eligible rollover
6 distribution by the plan to an eligible retirement plan specified by a distributee who is
7 eligible to elect a direct rollover;

8 (2) "distributee" means a member, or a beneficiary who is the
9 surviving spouse of the member, or an alternate payee;

10 (3) "eligible retirement plan" means

11 (A) a conduit individual retirement account described in 26
12 U.S.C. 408(d)(3)(A);

13 (B) an annuity plan described in 26 U.S.C. 403(a);

14 (C) a qualified trust described in 26 U.S.C. 401(a);

15 (D) an annuity plan described in 26 U.S.C. 403(b); or

16 (E) a governmental plan described in 26 U.S.C. 457(b);

17 (4) "eligible rollover distribution" means a distribution of all or part of
18 a total account to a distributee, except for

19 (A) a distribution that is one of a series of substantially equal
20 installments payable not less frequently than annually over the life expectancy
21 of the distributee or the joint and last survivor life expectancy of the distributee
22 and the distributee's designated beneficiary, as defined in 26 U.S.C. 401(a)(9);

23 (B) a distribution that is one of a series of substantially equal
24 installments payable not less frequently than annually over a specified period
25 of 10 years or more;

26 (C) a distribution that is required under 26 U.S.C. 401(a)(9);

27 (D) the portion of any distribution that is not includable in
28 gross income;

29 (E) a distribution that is on account of hardship; and

30 (F) other distributions that are reasonably expected to total less
31 than \$200 during a year.

1 **Sec. 14.25.370. Transmittal of contributions.** All contributions deducted in
2 accordance with AS 14.25.310 - 14.25.590 shall be transmitted to the plan for deposit
3 in the trust fund as soon as administratively feasible, but in no event later than 15 days
4 following the close of the payroll period.

5 **Sec. 14.25.380. Limitations on contributions.** Notwithstanding any other
6 provisions of this plan, the annual additions to each member's individual account
7 under this plan and under all defined contribution plans of the employer required to be
8 aggregated with the contributions from this plan under the provisions of 26 U.S.C. 415
9 may not exceed, for any limitation year, the amount permitted under 26 U.S.C. 415 at
10 any time. If the amount of a member's defined contribution plan contributions exceeds
11 the limitation of 26 U.S.C. 415(c) for any limitation year, the administrator shall take
12 any necessary remedial action to correct an excess contribution. The provisions of 26
13 U.S.C. 415, and the regulations adopted under that statute, as applied to qualified
14 defined contribution plans of governmental employees are incorporated as part of the
15 terms and conditions of the plan.

16 **Sec. 14.25.390. Vesting.** (a) A participating member is immediately and
17 fully vested in that member's contributions and related earnings.

18 (b) A member is fully vested in the employer contributions made on that
19 member's behalf, and related earnings, after five years of service. A member is
20 partially vested in the employer contributions made on that member's behalf, and the
21 related earnings, in the ratio of

- 22 (1) 25 percent with two years of service;
23 (2) 50 percent with three years of service; and
24 (3) 75 percent with four years of service.

25 **Sec. 14.25.400. Investment of individual accounts.** (a) The board shall
26 provide a range of investment options and permit a participant to exercise investment
27 control over the participant's assets in the member's individual account as provided in
28 this section. If a participant exercises control over the assets in the individual account,
29 the participant is not considered a fiduciary for any reason on the basis of exercising
30 that control.

31 (b) A participant may direct investment of plan funds held in an account

1 among available investment funds in accordance with rules established by the board.

2 (c) A participant may elect to change or transfer all or a portion of the
3 participant's existing account balance among available investment funds not more
4 often than once each day in accordance with the rules established by the administrator.
5 Only the last election received by the administrator before the transmittal of
6 contributions to the trust fund for allocation to the individual account will be used to
7 direct the investment of the contributions received.

8 (d) Except to the extent clearly set out in the terms of the investment plans
9 offered by the employer to the employee, the employer is not liable to the participant
10 for investment losses if the prudent investment standard has been met.

11 (e) The employer, administrator, state, board, or a person or entity who is
12 otherwise a fiduciary is not liable by reason for any participant's investment loss that
13 results from the participant's directing the investment of plan assets allocated to the
14 participant's account.

15 (f) To the extent that a member's individual account has been divided as
16 provided in a qualified domestic relations order between participants, each participant
17 shall be treated as the holder of a separate individual account for purposes of
18 investment yields, decisions, transfers, and time limitations imposed by this section.

19 **Sec. 14.25.410. Distribution election at termination.** (a) A member is
20 eligible to elect distribution of the member's account in accordance with this section
21 60 days after termination of employment.

22 (b) Notwithstanding (a) of this section, distribution of all or a portion of the
23 individual account of a member may take place before the 60th day after the
24 termination of employment with the approval of the administrator if the member
25 makes a written request for a distribution under this subsection. The member's spouse
26 must consent to the request in writing if the member is married. Distribution of an
27 individual account may only be made on account of an immediate and heavy financial
28 need of the member for the following reasons and in the amount the need is
29 demonstrated for

30 (1) medical care described in 26 U.S.C. 213(d) incurred by the
31 member, the member's spouse, or the member's dependent, or necessary to obtain that

1 medical care:

2 (2) the purchase of a principal residence for the member;

3 (3) postsecondary education tuition and related educational fees for the
4 next 12-month period for the member, the member's spouse, or a dependent of the
5 member; in this paragraph, "dependent" has the meaning given in 26 U.S.C. 152;

6 (4) prevention of the eviction of the member from the member's
7 principal residence or foreclosure on the mortgage of the member's principal
8 residence; or

9 (5) any need prescribed by the United States Department of the
10 Treasury, Internal Revenue Service, in a revenue ruling, notice, or other document of
11 general applicability that satisfies the safe harbor definition of hardship under
12 regulations adopted under 26 U.S.C. 401(k).

13 (c) If a member dies before benefits commence, the member's beneficiary is
14 immediately eligible to elect distribution of the member's share of the member's
15 individual account.

16 (d) Distributions are payable to an alternate payee in accordance with the
17 terms and conditions of a qualified domestic relations order that is received and
18 approved by the administrator as specified in AS 14.25.460.

19 (e) Distributions that are being paid to a member may not be affected by the
20 member's subsequent reemployment with the employer. Upon reemployment, a new
21 individual account shall be established for the member to which any future
22 contributions shall be allocated. Upon subsequent termination of employment, the
23 member's new individual account shall be distributed in accordance with this section.

24 **Sec. 14.25.420. Forms of distribution.** (a) A participant may elect to receive
25 distribution of the participant's share of the individual account in a

26 (1) lump sum payment, which is a single payment of the entire balance
27 in the account;

28 (2) periodic lump sum payment, which is a payment of a portion of the
29 balance in the account, not more than twice each year;

30 (3) period certain annuity payment, which is an annuity payable in a
31 fixed number of monthly installments for a duration of 60, 120, or 180 months;

1 (4) life annuity with a period certain payment, which is an annuity
2 payable until the later of the first day of the month in which the annuitant's death
3 occurs, or the date on which the payment of a fixed number of monthly installments is
4 completed; the period certain for installments is 120 or 180 months;

5 (5) single life annuity payment, which is an annuity payable monthly
6 until the first of the month in which the annuitant's death occurs; or

7 (6) joint and survivor annuity payment, which is an annuity payable
8 monthly to the member until the first of the month in which the member's death
9 occurs; after the member's death, a survivor annuity equal to 50 percent or 100 percent
10 of the member's benefit, as previously elected by the member, shall be paid monthly to
11 the joint annuitant for the remainder of the survivor's lifetime.

12 (b) Upon the death of an annuitant whose payments have commenced, an
13 annuitant's beneficiary shall receive further payments only to the extent provided in
14 accordance with the form of payment that was being made to the annuitant. The
15 remaining portion of the interest shall continue to be distributed at least as rapidly as
16 under the method of distribution being used before the annuitant's death.

17 (c) If a participant dies before the distribution commencement date,
18 distribution of the participant's entire interest to a beneficiary shall be payable in any
19 form other than a joint and survivor annuity.

20 (d) If an unmarried member or other participant fails to elect a form of
21 payment before the distribution commencement date, the account shall be paid to a
22 beneficiary in the form of a lump sum to the extent required by the minimum
23 distribution requirements set out in the Internal Revenue Code. If a married member
24 fails to elect a form of payment before the distribution commencement date, the
25 account shall be paid in the form of a 50 percent joint and survivor annuity, with the
26 member's spouse as the joint annuitant.

27 **Sec. 14.25.430. Manner of electing distributions.** (a) Any election or any
28 alteration or revocation of a prior election by a participant for any purpose under this
29 plan shall be on forms or made in a manner prescribed for that purpose by the plan
30 administrator. To be effective, the forms required or the required action for any
31 purpose under this plan must be completed and received in accordance with

1 regulations adopted by the commissioner of administration.

2 (b) At any time, but not less than seven days before the distribution
3 commencement date, a member, alternate payee, or beneficiary may change

4 (1) the form of payment election;

5 (2) an election to commence benefits; or

6 (3) the joint annuitant designation.

7 (c) Changes in elections are not allowed on or after seven days before the
8 distribution commencement date.

9 **Sec. 14.25.440. Distribution requirements.** (a) Payments to a participant
10 shall commence as soon as administratively feasible following the distribution
11 commencement date. The distribution commencement date is the first date on which
12 one of the following occurs:

13 (1) a member meets the requirements of AS 14.25.410 and has made a
14 complete application for payment under AS 14.25.430;

15 (2) a participant has elected to defer receipt of the account to a date
16 specified, the date has been attained, and the participant has made a complete
17 application for payment;

18 (3) a member attains normal retirement age and has not made an
19 application for payment or elected to defer receipt of the account to a date later than
20 normal retirement age;

21 (4) a member's beneficiary does not make an application for benefits
22 and five years have elapsed since the member's death;

23 (5) notwithstanding (a) of this section, a participant whose account has
24 a balance of \$1,000 or less meets the requirements of AS 14.25.410, at which time the
25 participant must take payment of the participant's account.

26 (b) The entire interest of a participant must be distributed or must begin to be
27 distributed not later than the member's required beginning date.

28 (c) If a member dies after the distribution of the member's interest has begun
29 but before the distribution has been completed, the remaining portion of the interest
30 shall continue to be distributed at least as rapidly as under the method of distribution
31 being used before the member's death.

1 (d) If a member has made a distribution election and dies before the
2 distribution of the member's interest begins, distribution of the member's entire interest
3 shall be completed by December 31 of the calendar year containing the fifth
4 anniversary of the member's death. However, if any portion of the member's interest
5 is payable to a designated beneficiary, distributions may be made over the life of the
6 designated beneficiary or over a period certain not greater than the life expectancy of
7 the designated beneficiary, commencing on or before December 31 of the calendar
8 year immediately following the calendar year in which the member died, and, if the
9 designated beneficiary is the member's surviving spouse, the date distributions are
10 required to begin may not be earlier than the later of December 31 of the calendar year
11 (1) immediately following the calendar year in which the member died, or (2) in which
12 the member would have attained 70 1/2 years of age, whichever is earlier. If the
13 surviving spouse dies after the member but before payments to the spouse have begun,
14 the provisions of this subsection apply as if the surviving spouse were the member.
15 An amount paid to a child of the member shall be treated as if it were paid to the
16 surviving spouse if the amount becomes payable to the surviving spouse when the
17 child reaches the age of majority.

18 (e) If a member has not made a distribution election before the member's
19 death, the member's designated beneficiary must elect the method of distribution not
20 later than December 31 of the calendar year (1) in which distributions would be
21 required to begin under this section, or (2) that contains the fifth anniversary of the
22 date of death of the member, whichever is earlier. If the member does not have a
23 designated beneficiary or if the designated beneficiary does not elect a method of
24 distribution, distribution of the member's entire interest must be completed by
25 December 31 of the calendar year containing the fifth anniversary of the member's
26 death.

27 (f) For purposes of (b) of this section, distribution of a member's interest is
28 considered to begin (1) on the member's required beginning date, or (2) if the
29 designated beneficiary is the member's surviving spouse and the surviving spouse dies
30 after the member but before payments to the spouse have begun, on the date
31 distribution is required to begin to the surviving spouse. If distribution in the form of

1 an annuity irrevocably commences to the member before the required beginning date,
2 the date distribution is considered to begin is the date that the distribution actually
3 commences.

4 (g) Notwithstanding any contrary provisions of AS 14.25.310 - 14.25.590, the
5 requirements of this section apply to all distributions of a member's interest and take
6 precedence over any inconsistent provisions of AS 14.25.310 - 14.25.590.

7 (h) All distributions required under this section are determined and made in
8 accordance with 26 U.S.C. 401(a)(9) and regulations adopted under that statute,
9 including any minimum distribution incidental benefit requirement.

10 (i) In this section,

11 (1) "designated beneficiary" means the individual who is designated as
12 the beneficiary under the plan in accordance with 26 U.S.C. 401(a)(9) and regulations
13 adopted under that statute;

14 (2) "required beginning date" means the first day of April of the
15 calendar year following the calendar year in which the member either attains 70 1/2
16 years of age or actually terminates employment, whichever is later.

17 **Sec. 14.25.450. Designation of beneficiary.** (a) Each participant shall have
18 the right to designate a beneficiary and shall have the right, at any time, to revoke the
19 designation or to substitute another beneficiary, subject to the following limitation: if
20 a married member elects a nonspouse beneficiary, the value of the benefit payable to
21 the beneficiary may not exceed 50 percent of the member's portion of the account
22 balance, and the member's spouse shall automatically be considered the beneficiary for
23 the remaining 50 percent of the account balance, unless the spouse consents to the
24 beneficiary designation in a writing that is notarized or witnessed by the administrator.
25 If the spouse consents in this manner, a married member may designate a nonspouse
26 beneficiary for the entire benefit or any portion of the benefit as part of an available
27 form of payment contained in this plan.

28 (1) except to the extent a qualified domestic relations order filed with
29 the administrator provides for payment to a former spouse or other dependent of the
30 member, or

31 (2) unless the member filed a revocation of beneficiary accompanied

1 by a written consent to the revocation from the present spouse and each person entitled
2 under the order; however, consent of the present spouse is not required if the member
3 and the present spouse had been married for less than one year on the date of the
4 member's death and if the member established when filing the revocation that the
5 member and the present spouse were not cohabiting.

6 (b) Except as provided in (a) of this section, the member may change or
7 revoke the designation without notice to the beneficiary or beneficiaries at any time.
8 If a member designates more than one beneficiary, each shares equally unless the
9 member specifies a different allocation or preference. The designation of a
10 beneficiary, a change or revocation of a beneficiary, and a consent to revocation of a
11 beneficiary shall be made on a form provided by the administrator and is not effective
12 until filed with the administrator.

13 (c) If a member fails to designate a beneficiary, or if no designated beneficiary
14 survives the member, the death benefit shall be paid

15 (1) to the surviving spouse or, if there is none surviving;

16 (2) to the surviving children of the member in equal parts or, if there
17 are none surviving;

18 (3) to the surviving parents in equal parts or, if there are none
19 surviving;

20 (4) to the estate.

21 (d) A person claiming entitlement to benefits payable under AS 14.25.310 -
22 14.25.590 as a consequence of a member's death shall provide the administrator with a
23 marriage certificate, divorce or dissolution judgment, or other evidence of entitlement.
24 Documents establishing entitlement may be filed with the administrator immediately
25 after a change in the member's marital status. If the administrator does not receive
26 notification of a claim before the date 10 days after the member's death, the person
27 claiming entitlement is not entitled to receive from the division of retirement and
28 benefits any benefit already paid by the administrator.

29 **Sec. 14.25.460. Rights under qualified domestic relations order.** (a)
30 Notwithstanding the nonalienation provisions in AS 14.25.500(a), the administrator
31 may direct that benefits be paid to someone other than a member or beneficiary under

1 a valid qualified domestic relations order that is executed by the judge of a competent
2 court in accordance with applicable state law and that has been accepted by the
3 administrator.

4 (b) The administrator shall determine whether an order meets the requirements
5 of this section within a reasonable period after receiving an order. The administrator
6 shall notify the member and any alternate payee that an order has been received and
7 indicate to the member and any alternate payee when the order is accepted. A separate
8 account for the alternate payee portion shall be established as soon as administratively
9 feasible after the order has been accepted by the administrator.

10 **Sec. 14.25.470. Eligibility to elect medical benefits.** (a) A member is
11 eligible to elect the medical benefits under AS 14.25.480 if the member

12 (1) has at least 30 years of service; or

13 (2) is 65 years of age and has at least 10 years of service.

14 (b) A member's surviving spouse is eligible to elect medical benefits under
15 AS 14.25.480 if the member had elected, or was eligible to elect, medical benefits at
16 the time of the member's death.

17 (c) A member shall elect or reject medical benefits on the forms and in the
18 manner prescribed by the administrator. The decision to elect or reject benefits is
19 irrevocable.

20 (d) Election of the retiree major medical insurance plan is not required in
21 order to elect participation in the health reimbursement arrangement.

22 (e) A person eligible to elect medical benefits is not required to participate in
23 the health reimbursement arrangement in order to elect participation in the retiree
24 major medical insurance plan.

25 (f) An eligible person shall make the irrevocable election to participate or not
26 participate in the retiree major medical insurance plan upon reaching 70 1/2 years of
27 age, or upon termination of employment, whichever is later.

28 **Sec. 14.25.480. Medical benefits.** (a) The medical benefits available to
29 eligible persons are access to the retiree major medical insurance plan and to the
30 health reimbursement arrangement under AS 39.30.300. Access to the retiree major
31 medical insurance plan means that an eligible person may not be denied insurance

1 coverage except for failure to pay the required premium.

2 (b) Retiree major medical insurance plan coverage elected by an eligible
3 member under this section covers the eligible member, the spouse of the eligible
4 member, and the dependent children of the eligible member.

5 (c) Retiree major medical insurance plan coverage elected by a surviving
6 spouse of an eligible member under this section covers the surviving spouse and the
7 dependent children of the eligible member who are dependent on the surviving spouse.

8 (d) Major medical insurance coverage takes effect on the first day of the
9 month following the date of the administrator's approval of the election and stops
10 when the person who elects coverage dies or fails to make a required premium
11 payment.

12 (e) The coverage for persons 65 years of age or older is the same as that
13 available for persons under 65 years of age. The benefits payable to those persons 65
14 years of age or older supplement any benefits provided under the federal old age,
15 survivors and disability insurance program.

16 (f) The medical and optional insurance premiums paid by the person who
17 elects coverage may be deducted from the health reimbursement arrangement. If the
18 amount of the health reimbursement arrangement becomes insufficient to pay the
19 premiums, the person who elects coverage under (a) of this section shall pay the
20 premiums directly.

21 (g) The cost of premiums for retiree major medical insurance coverage for an
22 eligible member or surviving spouse who is

23 (1) not eligible for Medicare is an amount equal to the full monthly
24 group premiums for retiree major medical insurance coverage;

25 (2) eligible for Medicare, is the following percentage of the premium
26 amounts established for retirees who are eligible for Medicare:

27 (A) 30 percent if the member had 10 or more, but less than 15,
28 years of service;

29 (B) 25 percent if the member had 15 or more, but less than 20,
30 years of service;

31 (C) 20 percent if the member had 20 or more, but less than 25,

1 years of service;

2 (D) 15 percent if the member had 25 or more, but less than 30,
3 years of service;

4 (E) 10 percent if the member had 30 or more years of service.

5 (h) The eligibility for retiree major medical insurance coverage for an
6 alternate payee under a qualified domestic relations order shall be determined based
7 on the eligibility of the member to elect coverage. The alternate payee shall pay the
8 full monthly premium for retiree major medical insurance coverage.

9 (i) A person who is entitled to retiree major medical insurance coverage shall

10 (1) be informed by the administrator in writing

11 (A) that the health insurance coverage available to retired
12 members may be different from the health insurance coverage provided to
13 employees;

14 (B) of time limits for selecting optional health insurance
15 coverage and whether the election is irrevocable; and

16 (2) indicate in writing on a form provided by the administrator that the
17 person has received the information required by this subsection and whether the
18 person has chosen to receive optional health insurance coverage.

19 (j) The monthly group premiums for retiree major medical insurance coverage
20 are established by the administrator in accordance with AS 39.30.095. Nothing in
21 AS 14.25.310 - 14.25.590 guarantees a person who elects coverage under (a) of this
22 section a monthly group premium rate for retiree major medical insurance coverage
23 other than the premium in effect for the month in which the premium is due for
24 coverage for that month.

25 (k) In this section, "health reimbursement arrangement" means the plan
26 established in AS 39.30.300.

27 **Sec. 14.25.490. Amendment and termination of plan.** (a) The state has the
28 right to amend the plan at any time and from time to time, in whole or in part,
29 including the right to make retroactive amendments referred to in 26 U.S.C. 401(b).

30 (b) The plan administrator may not modify or amend the plan retroactively in
31 such a manner as to reduce the benefits of any member accrued to date under the plan

1 by reason of contributions made before the modification or amendment except to the
2 extent that the reduction is permitted by the Internal Revenue Code.

3 (c) The state may, in its discretion, terminate the plan in whole or part at any
4 time without liability for the termination. If the plan is terminated, all investments
5 remain in force until all individual accounts have been completely distributed under
6 the plan, and, after all plan liabilities are satisfied, excess assets revert to the employer.

7 (d) Any contribution made by an employer to the plan because of a mistake of
8 fact must be returned to the employer by the administrator within one year after the
9 contribution or discovery, whichever is later.

10 **Sec. 14.25.500. Exclusive benefit; refunds; credits of unvested amounts.**

11 (a) The corpus or income of the assets held in trust as required by the plan may not be
12 diverted or used for other than the exclusive benefit of the participants.

13 (b) Notwithstanding (a) of this section, employer contributions to employee
14 individual accounts, and any related earnings, in which terminated employees have not
15 vested shall be credited back to the employer that made the contributions.

16 (c) If plan benefits are provided through the distribution of annuity or
17 insurance contracts, any refunds or credits in excess of plan benefits due to dividends,
18 earnings, or other experience rating credits, or surrender or cancellation credits, shall
19 be paid to the trust fund.

20 (d) The assets of the plan may not be used to pay premiums or contributions of
21 the employer under another plan maintained by the employer.

22 **Sec. 14.25.510. Nonguarantee of returns, rates, or benefit amounts.** The
23 plan created by AS 14.25.310 - 14.25.590 is a defined contribution plan, not a defined
24 benefit plan. The amount of money in the account of a participant depends on the
25 amount of contributions and the rate of return from investments of the account that
26 varies over time. If benefits are paid in the form of an annuity, the benefit amount
27 payable is dependent on the amount of money in the account and the interest rates
28 applied and service fees charged by the annuity payor at the time benefits are first
29 paid. Nothing in this plan guarantees a participant

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

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

4 Sec. 14.25.520. **Nonguarantee of employment.** The provisions of
5 AS 14.25.310 - 14.25.590 are not a contract of employment between an employer and
6 an employee, nor do they confer a right of an employee to be continued in the
7 employment of an employer, nor are they a limitation of the right of an employer to
8 discharge an employee with or without cause.

9 Sec. 14.25.530. **Fraud.** A person who knowingly makes a false statement or
10 falsifies or permits to be falsified a record of this plan in an attempt to defraud the plan
11 is guilty of a class A misdemeanor.

12 Sec. 14.25.540. **Transfer into defined contribution retirement plan by**
13 **nonvested members of defined benefit retirement plan.** (a) Subject to (g) of this
14 section, an active member of the defined benefit retirement plan of the teachers'
15 retirement system is eligible to participate in the defined contribution retirement plan
16 established under AS 14.25.310 - 14.25.590 if that member has not vested.
17 Participation in the defined contribution retirement plan is in lieu of participation in
18 the defined benefit retirement plan established under AS 14.25.009 - 14.25.220.

19 (b) A member who has vested in a defined benefit retirement plan is not
20 eligible to transfer under this section.

21 (c) Each eligible member who elects to participate in the defined contribution
22 retirement plan shall have transferred to a new account the present value of the
23 member contribution account balance held in trust for the member under the defined
24 benefit retirement plan of the teachers' retirement system. A matching employer
25 contribution shall be made on behalf of that employee to the new account. Upon a
26 transfer, all service credit previously earned under the defined benefit retirement plan
27 shall be nullified for purposes of entitlement to a future benefit under the defined
28 benefit retirement plan but shall be credited for purposes of eligibility to elect medical
29 benefits under AS 14.25.470. An eligible member whose accounts are subject to a
30 qualified domestic relations order may not make an election to participate in the
31 defined contribution retirement plan under this subsection unless the qualified

1 domestic relations order is amended or vacated and court-certified copies of the order
2 are received by the administrator.

3 (d) As directed by the participant, the board shall transfer or cause to be
4 transferred the appropriate amounts to the designated account. The board shall
5 establish transfer procedures by regulation, but the actual transfer may not be later
6 than 30 days after the effective date of the member's participation in the defined
7 contribution retirement plan unless the major financial markets for securities available
8 for a transfer are seriously disrupted by an unforeseen event that also causes the
9 suspension of trading on any national securities exchange in the country where the
10 securities were issued. In that event, the 30-day period of time may be extended by a
11 resolution of the board of trustees. Transfers are not commissionable or subject to
12 other fees and may be in the form of securities or cash as determined by the board.
13 Securities shall be valued as of the date of receipt in the participant's account.

14 (e) If the board or the administrator receives notification from the United
15 States Department of the Treasury, Internal Revenue Service, that this section or a
16 portion of this section will cause the retirement system under this chapter, or a portion
17 of the retirement system under this chapter, to be disqualified for tax purposes under
18 the Internal Revenue Code, the portion that will cause the disqualification does not
19 apply, and the board and the administrator shall notify the presiding officers of the
20 legislature.

21 (f) The election to participate in the defined contribution retirement plan must
22 be made in writing on forms and in the manner prescribed by the administrator.
23 Before accepting an election to participate in the defined contribution retirement plan,
24 the administrator must provide the employee planning on making an election to
25 participate in the defined contribution retirement plan with information, including
26 calculations to illustrate the effect of moving the employee's retirement plan from the
27 defined benefit retirement plan to the defined contribution retirement plan as well as
28 other information to clearly inform the employee of the potential consequences of the
29 employee's election. An election made under this subsection to participate in the
30 defined contribution retirement plan is irrevocable. Upon making the election, the
31 participant shall be enrolled as a member of the defined contribution retirement plan.

1 the member's participation in the plan shall be governed by the provisions of
2 AS 14.25.310 - 14.25.590, and the member's participation in the defined benefit
3 retirement plan under AS 14.25.009 - 14.25.220 shall terminate. The participant's
4 enrollment in the defined contribution retirement plan shall be effective the first day of
5 the month after the administrator receives the completed enrollment forms. An
6 election made by an eligible member who is married is not effective unless the
7 election is signed by the individual's spouse.

8 (g) A member may make an election under this section only if the member's
9 employer participates in both the defined benefits retirement plan and the defined
10 contribution retirement plan and consents to transfers under this section. The
11 employer shall notify the administrator if the employer consents to allowing the
12 employer's members to choose to transfer from the defined benefits retirement plan to
13 the defined contribution retirement plan under this section. An employer's notice to
14 allow transfers is irrevocable and applicable to all eligible employees of the employer.

15 (h) In this section,

16 (1) "defined benefit retirement plan" means the retirement plan
17 established in AS 14.25.009 - 14.25.220;

18 (2) "defined contribution retirement plan" means the retirement plan
19 established in AS 14.25.310 - 14.25.590.

20 **Sec. 14.25.550. Membership in teachers' and public employees'**
21 **retirement systems.** A person who is employed at least half-time in the public
22 employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990) during the
23 same period that the person is employed at least half-time in a position in the teachers'
24 defined contribution retirement plan (AS 14.25.310 - 14.25.590) shall receive credited
25 service under each plan for half-time employment. However, the amount of credited
26 service a person receives under the public employees' defined contribution retirement
27 plan during a school year may not exceed the amount necessary, when added to the
28 amount of credited service earned during the school year under the teachers' defined
29 contribution retirement plan, to equal one year of credited service.

30 **Sec. 14.25.560. Legislators who have been teachers.** (a) A state legislator
31 who was an active member of the defined contribution plan under other sections of

1 AS 14.25.310 - 14.25.590 within the 12 months immediately preceding election to
 2 office may, subject to the requirements of (b) of this section, elect to be an active
 3 member of the teachers' defined contribution retirement plan for as long as the state
 4 legislator serves continuously as a state legislator if, within 90 days after taking the
 5 oath of office,

6 (1) the state legislator directs the employer in writing to

7 (A) pay into this plan the employer contributions required for a
 8 member under AS 14.25.310 - 14.25.590; and

9 (B) deduct from the state legislator's salary and pay into this
 10 plan

11 (i) the employee contributions required for a member
 12 under AS 14.25.310 - 14.25.590; and

13 (ii) an amount equal to the difference between the total
 14 employer and state contributions required for a member under
 15 AS 14.25.310 - 14.25.590 and the employer contributions that would be
 16 required under the public employees' defined contribution retirement
 17 plan (AS 39.35.700 - 39.35.990) if the legislator were covered under
 18 that plan; and

19 (2) notice is given the administrator in writing.

20 (b) A state legislator is not entitled to elect membership under (a) of this
 21 section if the state legislator is covered for the same period of service under the public
 22 employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990). An
 23 election of membership under (a) of this section is retroactive to the date the state
 24 legislator took the oath of office. A state legislator may not receive membership credit
 25 under (a) of this section for legislative service performed before the legislative session
 26 during which the state legislator elected membership under (a) of this section. In order
 27 to continue in membership service under (a) of this section, the state legislator must
 28 earn at least 0.3 years of membership service under other sections of AS 14.25.310 -
 29 14.25.590 during each five-year period.

30 **Sec. 14.25.570. Participation by National Education Association**
 31 **employees. An employee or former employee of the National Education Association**

1 of Alaska may participate in the teachers' defined contribution retirement plan under
2 AS 14.25.310 - 14.25.590 if the employee or former employee possesses or is eligible
3 to possess a teacher certificate under AS 14.20.020.

4 Sec. 14.25.580. Participation by Special Education Service Agency
5 employees. An employee of the Special Education Service Agency may participate in
6 the system under this chapter if the employee possesses or is eligible to possess a
7 teacher certificate under AS 14.20.020.

8 Sec. 14.25.590. Definitions. In AS 14.25.310 - 14.25.590, unless the context
9 requires otherwise,

10 (1) "administrator" has the meaning given in AS 14.25.220;

11 (2) "alternate payee" means a person entitled to a portion of the
12 distribution from an individual account under a qualified domestic relations order;

13 (3) "annuitant" means a member, beneficiary or alternate payee who is
14 receiving a benefit under this plan;

15 (4) "beneficiary" means the person or persons entitled to receive
16 benefits that may be due from the plan upon the death of the member or alternate
17 payee;

18 (5) "board" has the meaning given in AS 14.25.220;

19 (6) "calendar year" has the meaning given in AS 39.35.680;

20 (7) "compensation"

21 (A) means

22 (i) the total remuneration earned by an employee for
23 personal services rendered, including cost-of-living differentials, as
24 reported on the employee's Federal Income Tax Withholding Statement
25 (Form W-2) from the employer for the calendar year;

26 (ii) the member contribution to the teachers' retirement
27 system under AS 14.25.340;

28 (B) does not include retirement benefits, severance pay or other
29 separation bonuses, welfare benefits, per diem, expense allowances, workers'
30 compensation payments, payments for leave not used whether those leave
31 payments are scheduled payments, lump-sum payments, donations, or cash-ins.

1 any remuneration contributed by the employer for or on account of the
2 employee under this plan or under any other qualified or nonqualified
3 employee benefit plan, any remuneration not specifically included above
4 which would have been excluded under 26 U.S.C. 3121(a) (Internal Revenue
5 Code) if the employer had remained in the Federal Social Security System, or
6 any remuneration paid by the employer in excess of the Social Security
7 Taxable Wage Base for the calendar year;

8 (C) notwithstanding (B) of this paragraph, includes any amount
9 that is contributed by the employer under a salary reduction agreement and that
10 is not includible in the gross income of the employee under 26 U.S.C. 125,
11 132(f)(4), 402(e)(3), 402(h)(1)(B) or 403(b) (Internal Revenue Code); the
12 annual compensation limitation for the member, which is so taken into account
13 for those purposes, may not exceed \$200,000, as adjusted for the cost of living
14 in accordance with 26 U.S.C. 401(a)(17)(B) (Internal Revenue Code), with the
15 limitation for a fiscal year being the limitation in effect for the calendar year
16 within which the fiscal year begins:

17 (8) "dependent child" has the meaning given in AS 14.25.220;

18 (9) "distribution commencement date" has the meaning given in
19 AS 14.25.440(a);

20 (10) "employer" means a public school district, the Board of Regents
21 of the University of Alaska, the Department of Education and Early Development, the
22 National Education Association of Alaska, the regional resource centers, or the state
23 legislature with respect to a state legislator who elects membership under
24 AS 14.25.560;

25 (11) "fund" means the assets of the plan;

26 (12) "individual account" means the total maintained by the plan in an
27 investment account within the trust fund, established for each member for the purposes
28 of allocation of the member's contributions, employer contributions on behalf of the
29 member, and earnings credited to each of those contributions, investment gains and
30 losses, and expenses, as well as reporting of the member's benefit under the plan;

31 (13) "Internal Revenue Code" has the meaning given in AS 14.25.220;

1 (14) "investment funds" means those separate funds that are provided
2 within and that make up the trust fund and that are established for the purpose of
3 directing investment through the exercise of the sole control of a member, beneficiary,
4 or alternate payee under the terms of the plan and trust agreement;

5 (15) "limitation year" means the year for which contributions are made
6 to a member's individual account as reported to the Internal Revenue Service under the
7 limits described in 26 U.S.C. 415(c);

8 (16) "member" means an employee of an employer or a former
9 employee of an employer who retains a right to benefits under the plan;

10 (17) "membership service" means full-time or part-time employment
11 with an employer in the plan;

12 (18) "normal retirement age" means 65 years of age;

13 (19) "participant" means the person who has a vested right to an
14 individual account, such as a member, an alternate payee if the account is subject to a
15 qualified domestic relations order, the member's beneficiary if the member is
16 deceased, or an alternate payee's beneficiary if the alternate payee is deceased;

17 (20) "plan" means the retirement benefit plan established under
18 AS 14.25.310 - 14.25.590;

19 (21) "prudent investment standard" means the degree of care, skill,
20 prudence, and diligence under the circumstances then prevailing that a prudent person
21 acting in a like capacity and familiar with such matters would use in the conduct of an
22 enterprise of a like character and with like aims;

23 (22) "qualified domestic relations order" means a divorce or
24 dissolution judgment under AS 25.24, including an order approving a property
25 settlement, that

26 (A) creates or recognizes the existence of an alternate payee's
27 right to, or assigns to an alternate payee the right to, receive all or a portion of
28 the individual account, or the benefits payable with respect to a member;

29 (B) sets out the name and last known mailing address, if any, of
30 the member and of each alternate payee covered by the order;

31 (C) sets out the amount or percentage of the member's benefit,

1 or of any survivor's benefit, to be paid to the alternate payee, or sets out the
2 manner in which that amount or percentage is to be determined;

3 (D) sets out the number of payments or period to which the
4 order applies;

5 (E) sets out the retirement plan to which the order applies;

6 (F) does not require any type or form of benefit or any option
7 not otherwise provided by AS 14.25.310 - 14.25.590;

8 (G) does not require an increase of benefits in excess of the
9 amount provided by AS 14.25.310 - 14.25.590; and

10 (H) does not require the payment, to an alternate payee, of
11 benefits that are required to be paid to another alternate payee under another
12 order previously determined to be a qualified domestic relations order;

13 (23) "retiree" means an eligible person who has elected to receive the
14 medical benefits under AS 14.25.480;

15 (24) "retirement fund" or "fund" means the fund in which the assets of
16 the plan, including income and interest derived from the investment of money, are
17 deposited and held.

18 (25) "school year" has the meaning given in AS 14.25.220;

19 (26) "system" has the meaning given in AS 14.25.220;

20 (27) "teacher" and "member" are used interchangeably under
21 AS 14.25.310 - 14.25.590 and mean a person eligible to participate in the plan and
22 who is covered by the plan, limited to

23 (A) a certificated full-time or part-time elementary or
24 secondary teacher, a certificated school nurse, or a certificated person in a
25 position requiring a teaching certificate as a condition of employment in a
26 public school of the state, the Department of Education and Early
27 Development, or the Department of Labor and Workforce Development;

28 (B) a full-time or part-time teacher of the University of Alaska
29 or a person occupying a full-time administrative position at the University of
30 Alaska that requires academic standing; the approval of the administrator must
31 be obtained before an administrative position qualifies for membership in the

1 plan: however, a teacher or administrative person at the university who is
2 participating in a university retirement program under AS 14.40.661 -
3 14.40.799 is not a member under this plan;

4 (28) "year of service" means service during the dates set for the school
5 year; partial-year service credit is given for membership service as follows:

6 (A) during any school year,

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

8 (ii) nine days or more but less than 27 days, 0.1 years;

9 (iii) 27 days or more but less than 45 days, 0.2 years;

10 (iv) 45 days or more but less than 63 days, 0.3 years;

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

12 (vi) 81 days or more but less than 100 days, 0.5 years;

13 (vii) 100 days or more but less than 118 days, 0.6 years;

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

15 years;

16 (ix) 136 days or more but less than 154 days, 0.8 years;

17 (x) 154 days or more but less than 172 days, 0.9 years;

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

19 (B) service performed on a part-time basis of half time or more
20 shall be credited in proportion to the amount of credit that would have been
21 received for service performed on a full-time basis.

22 * Sec. 30. AS 14.40.280(c) is amended to read:

23 (c) Except as provided by (b) of this section, the monetary gifts, bequests, or
24 endowments that are made to the University of Alaska shall be managed and invested
25 by the Board of Regents. In carrying out its management and investment
26 responsibilities under this subsection, the Board of Regents has the same power and
27 obligations to carry out duties with respect to the endowments of the University of
28 Alaska as are provided to and required of the Alaska Retirement Management
29 [STATE PENSION INVESTMENT] Board under AS 37.10.210 [AS 14.25.180].

30 * Sec. 31. AS 14.40.400(b) is amended to read:

31 (b) The Board of Regents is the fiduciary of the fund. The Board of Regents

1 shall account for and invest the fund. In carrying out its investment responsibilities
2 under this subsection, the Board of Regents has the same powers and duties with
3 respect to the fund as are provided to and required of the Alaska Retirement
4 Management [STATE PENSION INVESTMENT] Board under AS 37.10.210
5 [AS 14.25.180].

6 * Sec. 32. AS 14.40.661 is amended to read:

7 Sec. 14.40.661. Authority of board. (a) The board may establish and
8 maintain [AN OPTIONAL] university retirement programs [PROGRAM] for
9 eligible employees in which retirement, health, and death benefits are provided
10 through the purchase of annuity contracts, either fixed, variable, or a combination of
11 fixed and variable. Participation in a university retirement [THE] program is in
12 place of participation in a state retirement system. The university may establish
13 retirement programs for new employees in a participating position at any time.
14 Retirement programs may be optional or mandatory.

15 (b) The board shall

16 (1) provide for the administration of the retirement programs
17 [PROGRAM], including procedures for resolving complaints from participating
18 employees;

19 (2) designate the company or companies to which payment of the
20 contributions required under AS 14.40.691 may be made, after considering the

21 (A) nature and extent of the rights and benefits that the
22 contracts will provide to employees who elect to participate and to their
23 beneficiaries;

24 (B) relation of the contractual rights and benefits to the
25 contributions to be made under AS 14.40.661 - 14.40.799;

26 (C) suitability of the contractual rights and benefits to the needs
27 and interests of employees who [ELECTING TO] participate and to the
28 interest of the university in the employment and retention of employees;

29 (D) ability of the designated company or companies to provide
30 rights and benefits under the contracts; and

31 (E) efficacy of the contracts in the recruitment and retention of

1 faculty and administrators;

2 (3) take other actions required to ensure that the retirement programs
3 comply with applicable provisions of 26 U.S.C. 401 - 417 [PROGRAM
4 QUALIFIES AS A QUALIFIED TRUST UNDER 26 U.S.C. 401(a)] (Internal
5 Revenue Code).

6 * Sec. 33. AS 14.40.661 is amended by adding a new subsection to read:

7 (c) The university retirement programs established under this section are not
8 subject to bargaining under AS 23.40.070 - 23.40.260 (Public Employment Relations
9 Act).

10 * Sec. 34. AS 14.40.671(b) is amended to read:

11 (b) An election under (a) of this section to participate in a university
12 retirement [THE] program is irrevocable. The election shall be made in writing on a
13 form provided by the board and approved for the state by the commissioner of
14 administration. The form must be filed with the university not [BOARD NO] later
15 than 30 days after the date on which the employee is notified by the university that
16 the employee is [FIRST BECOMES] eligible to participate in the program. A copy of
17 the form shall be delivered to the appropriate state retirement system. The election
18 becomes irrevocable on the date it is received by the board.

19 * Sec. 35. AS 14.40.671(c) is amended to read:

20 (c) Participation in a university retirement [THE ELECTION TO
21 PARTICIPATE IN THE] program constitutes a waiver of all rights and benefits under
22 the state retirement systems earned on or after the effective date of the election if the
23 participation is optional, or the effective date of the participation if the
24 participation is mandatory, and while the employee is participating in a university
25 retirement [THE] program.

26 * Sec. 36. AS 14.40.671(d) is amended to read:

27 (d) Except as provided in (e) of this section, if a nonvested member of a state
28 retirement system participates [ELECTS TO PARTICIPATE] in a university
29 retirement [THE] program, the employee may choose to transfer the amount in the
30 employee's contribution account to a university retirement [THE] program. If the
31 employee chooses to transfer the account, the appropriate state retirement system shall

1 pay to the university on behalf of the employee an amount equal to the balance in the
2 account. The payment must be made within 45 days after notice of the employee's
3 decision to transfer the employee's contribution account to a university
4 retirement program [THE ELECTION] is received by the state retirement system.
5 The financial officer of the university shall [IMMEDIATELY] pay the amount
6 received to the designated company or companies for the benefit of the employee as
7 soon as possible. An employee who transfers assets under this subsection may not
8 reclaim the corresponding service in the state retirement system if the employee is
9 reemployed under the state retirement system.

10 * Sec. 37. AS 14.40.671(e) is amended to read:

11 (e) An employee whose rights to transfer assets out of a state retirement
12 system are subject to a qualified domestic relations order is entitled to transfer assets
13 from the state retirement system to a university retirement [THE] program only if
14 the requirements for receiving a refund under AS 14.25.150(b), 14.25.360, [OR]
15 AS 39.35.200(c), or 39.35.760, as appropriate, are met.

16 * Sec. 38. AS 14.40.671(f) is amended to read:

17 (f) If a vested member of a state retirement system participates [ELECTS TO
18 PARTICIPATE] in a university retirement [THE] program, the employee ceases to
19 be an active member of the state retirement system on the effective date of the
20 participation in a university retirement [THE] program. The employee retains all
21 benefits accrued in the state retirement system

22 * Sec. 39. AS 14.40.671(g) is amended to read:

23 (g) An employee who does not [ELECT TO] participate in a university
24 retirement [THE] program under this section becomes or remains a member of the
25 appropriate state retirement system.

26 * Sec. 40. AS 14.40.671 is amended by adding new subsections to read:

27 (h) Notwithstanding (a) of this section, the university may establish a
28 mandatory retirement program for new employees.

29 (i) Notwithstanding (b) of this section, the university may offer an employee
30 who made an election not to participate in an optional university retirement program at
31 the time the employee was eligible to participate in the program an option to enroll in

1 a different university retirement program first established by the university after the
2 effective date of this subsection.

3 * Sec. 41. AS 14.40.681 is amended to read:

4 Sec. 14.40.681. Retirement system membership. An [ELIGIBLE] employee
5 participating [ELECTING TO PARTICIPATE] in a university retirement [THE]
6 program may not participate in a state retirement system during the time the employee
7 is employed in a participating position. If the employee is later employed in a position
8 covered by a state retirement system that is not a participating position, the employee
9 may not continue to participate in a university retirement [THE] program and shall
10 begin to participate in the state retirement system.

11 * Sec. 42. AS 14.40.691(c) is amended to read:

12 (c) The board may specify that contributions required by this section are made
13 by a reduction in salary under 26 U.S.C. 403(b) or 26 U.S.C. 414(h)(2) (Internal
14 Revenue Code).

15 * Sec. 43. AS 14.40.701 is amended to read:

16 Sec. 14.40.701. Benefits. Payment of benefits to participants of the program
17 is the responsibility of the company or companies designated by the board and is not
18 the responsibility of the board, the university, or the state. The benefits are payable to
19 participants or their beneficiaries in accordance with the terms of the applicable
20 retirement plan document [ANNUITY CONTRACT OR CONTRACTS.
21 HOWEVER, RETIREMENT BENEFITS MUST BE PAID IN THE FORM OF A
22 LIFETIME INCOME. EXCEPT FOR DEATH BENEFITS, A SINGLE-SUM CASH
23 PAYMENT IS NOT PERMITTED UNDER THIS SECTION].

24 * Sec. 44. AS 14.40.799(3) is amended to read:

25 (3) "contribution account" means the member contribution account
26 under AS 14.25.009 - 14.25.220, the individual account under AS 14.25.310 -
27 14.25.590, [AS 14.25 OR] the employee contribution account under AS 39.35.095 -
28 39.35.680, or the individual account under AS 39.35.700 - 39.35.990 [AS 39.35].
29 whichever is appropriate;

30 * Sec. 45. AS 14.40.799(5) is amended to read:

31 (5) "participating position" means a position that is a permanent

1 position that is at least a .5 full-time appointment and is included in the applicable
2 retirement plan document [AS

3 (A) A FACULTY APPOINTMENT; OR

4 (B) AN ADMINISTRATOR AND THE POSITION HAS
5 BEEN DESIGNATED BY THE BOARD FOR INCLUSION IN THE
6 PROGRAM];

7 * Sec. 46. AS 14.40.799(6) is amended to read:

8 (6) "program" means a [THE OPTIONAL] university retirement
9 program;

10 * Sec. 47. AS 14.40.799 is amended by adding a new paragraph to read:

11 (8) "university" means the University of Alaska.

12 * Sec. 48. AS 22.25.048(c) is amended to read:

13 (c) The Alaska Retirement Management [STATE PENSION
14 INVESTMENT] Board is the fiduciary of the fund and has the same powers and
15 duties under this section in regard to the judicial retirement trust fund as are provided
16 in AS 37.10.210 [AS 14.25.180].

17 * Sec. 49. AS 22.25.900(1) is amended to read:

18 (1) "actuarial equivalent" means the adjustment necessary to obtain
19 equality in value of the aggregate expected payments under two different forms of
20 pension payments, considering expected mortality and interest earnings on the basis of
21 assumptions, factors, and methods specified in regulations issued under the system
22 that are formally adopted [UNDER AS 22.25.027] by the Alaska Retirement
23 Management Board [COMMISSIONER OF ADMINISTRATION] tha' clearly
24 preclude employer discretion in the determination of the amount of any justice's,
25 judge's, or member's benefit;

26 * Sec. 50. AS 26.05.226(a) is amended to read:

27 (a) The Department of Military and Veterans' Affairs shall contribute to the
28 Alaska National Guard and Alaska Naval Militia retirement system the amounts
29 determined by the Alaska Retirement Management Board [COMMISSIONER OF
30 ADMINISTRATION] as necessary to

31 (1) fund the system based on the actuarial requirements of the system

1 as established by the Alaska Retirement Management Board [COMMISSIONER
2 OF ADMINISTRATION]; and

3 (2) administer the system.

4 * Sec. 51. AS 26.05.228(c) is amended to read:

5 (c) The Alaska Retirement Management [STATE PENSION
6 INVESTMENT] Board is the fiduciary of the fund and has the same powers and
7 duties under this section in regard to the fund as are provided under AS 37.10.220
8 [AS 14.25.180].

9 * Sec. 52. AS 36.30.015(f) is amended to read:

10 (f) The board of directors of the Alaska Housing Finance Corporation,
11 notwithstanding AS 18.56.088, and the board of directors of the Knik Arm Bridge and
12 Toll Authority under AS 19.75.111, shall adopt regulations under AS 44.62
13 (Administrative Procedure Act) and the board of trustees of the Alaska Retirement
14 Management [STATE PENSION INVESTMENT] Board shall adopt regulations
15 under AS 37.10.240 to govern the procurement of supplies, services, professional
16 services, and construction for the respective public corporation and board. The
17 regulations must reflect competitive bidding principles and provide vendors
18 reasonable and equitable opportunities to participate in the procurement process and
19 must include procurement methods to meet emergency and extraordinary
20 circumstances. Notwithstanding the other provisions of this subsection, the Alaska
21 Housing Finance Corporation, the Knik Arm Bridge and Toll Authority, and the
22 Alaska Retirement Management [STATE PENSION INVESTMENT] Board shall
23 comply with AS 36.30.170(b).

24 * Sec. 53. AS 36.30.990(1) is amended to read:

25 (1) "agency"

26 (A) means a department, institution, board, commission,
27 division, authority, public corporation, the Alaska Pioneers' Home, the Alaska
28 Veterans' Home, or other administrative unit of the executive branch of state
29 government;

30 (B) does not include

31 (i) the University of Alaska;

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- (ii) the Alaska Railroad Corporation;
- (iii) the Alaska Housing Finance Corporation;
- (iv) a regional Native housing authority created under AS 18.55.996 or a regional electrical authority created under AS 18.57.020;
- (v) the Department of Transportation and Public Facilities, in regard to the repair, maintenance, and reconstruction of vessels, docking facilities, and passenger and vehicle transfer facilities of the Alaska marine highway system;
- (vi) the Alaska Aerospace Development Corporation;
- (vii) the Alaska Retirement Management [STATE PENSION INVESTMENT] Board;
- (viii) the Alaska Seafood Marketing Institute;

* Sec. 54. AS 37.10.071(d) is amended to read:

(d) In exercising investment, custodial, or depository powers or duties under this section, the fiduciary or the fiduciary's designee is liable for a breach of a duty that is assigned or delegated under this section, or under [AS 14.25.180,] AS 14.40.255, 14.40.280(c), 14.40.400(b), AS 37.10.070, AS 37.14.110(c), 37.14.160, or 37.14.170 [, OR AS 39.35.080]. However, the fiduciary or the designee is not liable for a breach of a duty that has been delegated to another person if the delegation is prudent under the applicable standard of prudence set out in statute or if the duty is assigned by law to another person, except to the extent that the fiduciary or designee

(1) knowingly participates in, or knowingly undertakes to conceal, an act or omission of another person knowing that the act or omission is a breach of that person's duties under this chapter;

(2) by failure to comply with this section in the administration of specific responsibilities, enables another person to commit a breach of duty; or

(3) has knowledge of a breach of duty by another person, unless the fiduciary or designee makes reasonable efforts under the circumstances to remedy the breach.

* Sec. 55. AS 37.10.071(f) is amended to read:

1 (f) In this section, "fiduciary of a state fund" or "fiduciary" means

2 (1) the commissioner of revenue for investments under AS 37.10.070;

3 or

4 (2) with respect to the Alaska Retirement Management [STATE
5 PENSION INVESTMENT] Board, for investments of the collective funds that it
6 manages and administers [UNDER OR SUBJECT TO AS 14.25.180],

7 (A) each trustee who serves on the board of trustees; and

8 (B) any other person who exercises control or authority with
9 respect to management or disposition of assets for which the board is
10 responsible or who gives investment advice to the board; or

11 (3) the person or body provided by law to manage the investments for
12 investments not subject to [AS 14.25.180 OR] AS 37.10.070.

13 * Sec. 56. AS 37.10.210 is repealed and reenacted to read:

14 Sec. 37.10.210. Alaska Retirement Management Board. (a) The Alaska
15 Retirement Management Board is established in the Department of Revenue. The
16 board's primary mission is to serve as the trustee of the assets of the state's retirement
17 systems, the State of Alaska Supplemental Annuity Plan, and the deferred
18 compensation program for state employees. Consistent with standards of prudence,
19 the board has the fiduciary obligation to manage and invest these assets in a manner
20 that is sufficient to meet the liabilities and pension obligations of the systems, plan,
21 and program. The board may, with the approval of the commissioner of revenue and
22 upon agreement with the responsible fiduciary, manage and invest other state funds so
23 long as the activity does not interfere with the board's primary mission. In making
24 investments, the board shall exercise the powers and duties of a fiduciary of a state
25 fund under AS 37.10.071.

26 (b) The Alaska Retirement Management Board consists of nine trustees. The
27 commissioner of administration and the commissioner of revenue shall serve on the
28 board. The governor shall appoint seven additional trustees who meet the eligibility
29 requirements for an Alaska permanent fund dividend and who are professionally
30 credentialed or have recognized competence in investment management, finance,
31 banking, economics, accounting, pension administration, or actuarial analysis as

1 follows:

2 (1) three trustees shall be appointed from the general public; a trustee
3 appointed under this paragraph may not hold another state office, position, or
4 employment and may not be a member or beneficiary of a retirement system managed
5 by the board;

6 (2) one trustee shall be employed as a finance officer for a political
7 subdivision participating in the public employees' retirement system;

8 (3) one trustee shall be employed as a finance officer for a political
9 subdivision participating in the teachers' retirement system;

10 (4) one trustee shall be a member of the public employees' retirement
11 system who may be selected from a list of nominees submitted by public employees'
12 retirement system bargaining units;

13 (5) one trustee shall be a member of the teachers' retirement system
14 who may be selected from a list of nominees submitted by teachers' retirement system
15 bargaining units.

16 (c) The trustees, other than the two commissioners, shall serve for staggered
17 terms of four years and may be reappointed to the board for a total of two consecutive
18 terms. A person who has served two consecutive terms may not be reappointed to the
19 board for at least one year.

20 (d) The governor may, by written notice to the trustee, remove a trustee for
21 cause. After a trustee receives written notice of removal, the trustee may not
22 participate in board business and may not be counted for purposes of establishing a
23 quorum.

24 (e) A vacancy on the board of trustees shall be promptly filled. A person
25 filling a vacancy holds office for the balance of the unexpired term of the person's
26 predecessor, and the balance of the unexpired term served is not included in the three-
27 term limitation under (c) of this section. A vacancy on the board does not impair the
28 authority of a quorum of the board to exercise all the powers and perform all the duties
29 of the board.

30 (f) Five trustees constitute a quorum for the transaction of business and the
31 exercise of the powers and duties of the board.

1 (g) A trustee may not designate another person to serve on the board in the
2 absence of the trustee.

3 (h) The board shall provide annual training to its members on the duties and
4 powers of a fiduciary of a state fund and other training as necessary to keep the
5 members of the board educated about pension management and investment.

6 (i) The board shall elect a trustee to serve as chair and a trustee to serve as
7 vice-chair for one-year terms. A trustee may be reelected to serve additional terms as
8 chair or vice-chair.

9 * Sec. 57. AS 37.10 is amended by adding a new section to read:

10 **Sec. 37.10.215. Attorney general.** The attorney general is the legal counsel
11 for the board and shall advise the board and represent it in a legal proceeding.

12 * Sec. 58. AS 37.10.220 is repealed and reenacted to read:

13 **Sec. 37.10.220. Powers and duties of the board.** (a) The board shall

14 (1) hold regular and special meetings at the call of the chair or of at
15 least five members; meetings are open to the public, and the board shall keep a full
16 record of all its proceedings;

17 (2) after reviewing recommendations from the Department of
18 Revenue, adopt investment policies for each of the funds entrusted to the board;

19 (3) determine the appropriate investment objectives for the defined
20 benefit plans established under the teachers' retirement system under AS 14.25 and the
21 public employees' retirement system under AS 39.35;

22 (4) provide a range of investment options and establish the rules by
23 which participants can direct their investments among those options with respect to
24 accounts established under

25 (A) AS 14.25.340 and 14.25.350 (teachers' retirement system
26 defined contribution individual accounts);

27 (B) AS 39.30.150 - 39.30.180 (State of Alaska Supplementary
28 Annuity Plan);

29 (C) AS 39.35.730 - 39.35.750 (public employees' retirement
30 system defined contribution individual accounts); and

31 (D) AS 39.45.010 - 39.45.060 (public employees' deferred

1 compensation program);

2 (5) establish the rate of interest that shall be annually credited to each
3 member's individual contribution account in accordance with AS 14.25.145 and
4 AS 39.35.100 and the rate of interest that shall be annually credited to each member's
5 account in the health reimbursement arrangement plan under AS 39.30.300 -
6 39.30.495; the rate of interest shall be adopted on the basis of the probable effective
7 rate of interest on a long-term basis, and the rate may be changed from time to time;

8 (6) adopt a contribution surcharge as necessary under AS 39.35.160(c);

9 (7) coordinate with the retirement system administrator to have an
10 annual actuarial valuation of each retirement system prepared to determine system
11 assets, accrued liabilities, and funding ratios and to certify to the appropriate
12 budgetary authority of each employer in the system

13 (A) an appropriate contribution rate for normal costs; and

14 (B) an appropriate contribution rate for liquidating any past
15 service liability;

16 (8) review annually the status of the retiree health insurance fund
17 established for members of the defined contribution plans under AS 14.25.310 -
18 14.25.590 and AS 39.35.700 - 39.35.990 to ensure the medical cost rate established for
19 employers under AS 14.25.350(b) and AS 39.35.750(b) is sufficient to fully fund the
20 employers' required share of the premiums established for the retiree major medical
21 insurance plan; the board shall notify the legislature immediately if the board
22 determines the rates established by statute are insufficient;

23 (9) review actuarial assumptions prepared and certified by a member
24 of the American Academy of Actuaries and conduct experience analyses of the
25 retirement systems not less than once every four years, except for health cost
26 assumptions, which shall be reviewed annually; the results of all actuarial assumptions
27 prepared under this paragraph shall be reviewed and certified by a second member of
28 the American Academy of Actuaries before presentation to the board;

29 (10) contract for an independent audit of the state's actuary not less
30 than once every four years;

31 (11) contract for an independent audit of the state's performance

1 consultant not less than once every four years;

2 (12) obtain an external performance review to evaluate the investment
3 policies of each fund entrusted to the board and report the results of the review to the
4 appropriate fund fiduciary;

5 (13) by the first day of each regular legislative session, report to the
6 governor, the legislature, and the individual employers participating in the state's
7 retirement systems on the financial condition of the systems in regard to

8 (A) the valuation of trust fund assets and liabilities;

9 (B) current investment policies adopted by the board;

10 (C) a summary of assets held in trust listed by the categories of
11 investment;

12 (D) the income and expenditures for the previous fiscal year;

13 (E) the return projections for the next calendar year;

14 (F) one-year, three-year, five-year, and 10-year investment
15 performance for each of the funds entrusted to the board; and

16 (G) other statistical data necessary for a proper understanding
17 of the financial status of the systems;

18 (14) submit quarterly updates of the investment performance reports to
19 the Legislative Budget and Audit Committee; and

20 (15) develop an annual operating budget.

21 (b) The board may

22 (1) employ outside investment advisors to review investment policies;

23 (2) enter into an agreement with the fiduciary of another state fund in
24 order to assume the management and investment of those assets;

25 (3) contract for other services necessary to execute the board's powers
26 and duties;

27 (4) enter into confidentiality agreements that would exempt records
28 from AS 40.25.110 and 40.25.120 if the records contain information that could affect
29 the value of investment by the board or that could impair the ability of the board to
30 acquire, maintain, or dispose of investments.

31 (c) Expenses for the board and the operations of the board shall be paid from

1 the retirement fund.

2 * Sec. 59. AS 37.10.250 is amended to read:

3 Sec. 37.10.250. Compensation of trustees. Trustees, other than trustees who
4 are employees of the state, [OR] a political subdivision of the state, or a school
5 district or regional educational attendance area in the state, receive an honorarium
6 of \$400 [\$150] for each day spent at a meeting of the board or at a meeting of a
7 subcommittee of the board or at a public meeting as a representative of the board.
8 Trustees who are state employees are entitled to administrative leave for service as a
9 trustee. Trustees who are employees of a political subdivision of the state or a school
10 district or regional educational attendance area in the state are entitled to leave
11 benefits provided by their employers comparable to those provided to state employees
12 for service as a trustee. Trustees are entitled to per diem and travel expenses
13 authorized for boards and commissions under AS 39.20.180.

14 * Sec. 60. AS 37.10.270(a) is amended to read:

15 (a) The board may [SHALL] appoint an investment advisory council
16 composed of at least three and not more than five members. Members of the council
17 shall possess experience and expertise in financial investments and management of
18 investment portfolios for public, corporate, or union pension benefit funds,
19 foundations, or endowments.

20 * Sec. 61. AS 37.10.390 is amended to read:

21 Sec. 37.10.390. Definitions. In AS 37.10.210 - 37.10.390, unless the context
22 otherwise requires,

23 (1) "board" means the board of trustees of the Alaska Retirement
24 Management [STATE PENSION INVESTMENT] Board;

25 (2) "fund" means the fund or funds composed of the assets of each
26 of the retirement systems administered and managed by the board;

27 (3) "recognized competence" means a minimum of 10 years'
28 professional experience working or teaching in the field of investment
29 management, finance, banking, economics, accounting, pension administration,
30 or actuarial analysis;

31 (4) "retirement systems" or "systems" means the teachers' retirement

1 system, the judicial retirement system, the Alaska National Guard and Alaska Naval
2 Militia retirement system, [AND] the public employees' retirement system, the State
3 of Alaska teachers' and public employees' retiree health reimbursement
4 arrangement plan, and the elected public officers' retirement system under
5 former AS 39.37.

6 * Sec. 62. AS 37.14.160 is amended to read:

7 Sec. 37.14.160. Duties of the commissioner of revenue. The commissioner
8 of revenue is the treasurer of the trust fund created in AS 37.14.110 and shall

9 (1) in carrying out investment duties under this section, exercise the
10 same powers and duties established for the Alaska Retirement Management [STATE
11 PENSION INVESTMENT] Board in AS 37.10.210 [AS 14.25.180(c)];

12 (2) deposit the principal and income from investments in separate
13 principal and income accounts for the fund;

14 (3) invest and maintain accounting records that distinguish between the
15 principal and income of the fund;

16 (4) provide reports to the board established under AS 37.14.120 on the
17 condition and investment performance of the fund.

18 * Sec. 63. AS 37.14.210(4) is amended to read:

19 (4) invest and reinvest the assets of the trust as provided in this section
20 and as provided for the investment of funds under [AS 14.25.180(c) AND]
21 AS 37.14.170;

22 * Sec. 64. AS 37.14.520(4) is amended to read:

23 (4) invest and reinvest the assets of the fund as provided in this section
24 and as provided for the investment of funds under [AS 14.25.180(c) AND]
25 AS 37.14.170;

26 * Sec. 65. AS 37.14.610 is amended to read:

27 Sec. 37.14.610. Duties of the commissioner. The commissioner of revenue
28 has the power and duty to

29 (1) act as official custodian of the cash and investments belonging to
30 the Arctic Winter Games Team Alaska trust by securing adequate and safe custodial
31 facilities;

1 (2) exercise the same powers and duties as those established for the
2 Alaska Retirement Management [STATE PENSION INVESTMENT] Board in
3 AS 37.10.210 [AS 14.25.180(b) AND (c)];

4 (3) invest the assets of the trust in a manner likely to yield at least five
5 percent real rate of return over time;

6 (4) maintain accounting records of the trust in accordance with
7 investment accounting principles;

8 (5) enter into and enforce contracts or agreements considered
9 necessary for the investment purposes of the trust;

10 (6) report annually to the board of directors of the Arctic Winter
11 Games Team Alaska the condition and performance of the trust;

12 (7) monitor use of trust money by the Arctic Winter Games Team
13 Alaska; and

14 (8) do all acts that the commissioner of revenue considers necessary or
15 proper in administering the assets of the trust.

16 * Sec. 66. AS 39.30.090(a) is amended to read:

17 (a) The Department of Administration may obtain a policy or policies of group
18 insurance covering state employees, persons entitled to coverage under AS 14.25.168,
19 14.25.480, AS 22.25.090, AS 39.35.535, 39.35.880, or former AS 39.37.145,
20 employees of other participating governmental units, or persons entitled to coverage
21 under AS 23.15.136, subject to the following conditions:

22 (1) A group insurance policy shall provide one or more of the
23 following benefits: life insurance, accidental death and dismemberment insurance,
24 weekly indemnity insurance, hospital expense insurance, surgical expense insurance,
25 dental expense insurance, audiovisual insurance, or other medical care insurance.

26 (2) Each eligible employee of the state, the spouse and the unmarried
27 children chiefly dependent on the eligible employee for support, and each eligible
28 employee of another participating governmental unit shall be covered by the group
29 policy, unless exempt under regulations adopted by the commissioner of
30 administration.

31 (3) A governmental unit may participate under a group policy if

1 (A) its governing body adopts a resolution authorizing
2 participation, and payment of required premiums;

3 (B) a certified copy of the resolution is filed with the
4 Department of Administration; and

5 (C) the commissioner of administration approves the
6 participation in writing.

7 (4) In procuring a policy of group health or group life insurance as
8 provided under this section or excess loss insurance as provided in AS 39.30.091, the
9 Department of Administration shall comply with the dual choice requirements of
10 AS 21.86.310, and shall obtain the insurance policy from an insurer authorized to
11 transact business in the state under AS 21.09, a hospital or medical service corporation
12 authorized to transact business in this state under AS 21.87, or a health maintenance
13 organization authorized to operate in this state under AS 21.86. An excess loss
14 insurance policy may be obtained from a life or health insurer authorized to transact
15 business in this state under AS 21.09 or from a hospital or medical service corporation
16 authorized to transact business in this state under AS 21.87.

17 (5) The Department of Administration shall make available bid
18 specifications for desired insurance benefits or for administration of benefit claims and
19 payments to (A) all insurance carriers authorized to transact business in this state
20 under AS 21.09 and all hospital or medical service corporations authorized to transact
21 business under AS 21.87 who are qualified to provide the desired benefits; and (B) to
22 insurance carriers authorized to transact business in this state under AS 21.09, hospital
23 or medical service corporations authorized to transact business under AS 21.87, and
24 third-party administrators licensed to transact business in this state and qualified to
25 provide administrative services. The specifications shall be made available at least
26 once every five years. The lowest responsible bid submitted by an insurance carrier,
27 hospital or medical service corporation, or third-party administrator with adequate
28 servicing facilities shall govern selection of a carrier, hospital or medical service
29 corporation, or third-party administrator under this section or the selection of an
30 insurance carrier or a hospital or medical service corporation to provide excess loss
31 insurance as provided in AS 39.30.091.

1 (6) If the aggregate of dividends payable under the group insurance
2 policy exceeds the governmental unit's share of the premium, the excess shall be
3 applied by the governmental unit for the sole benefit of the employees.

4 (7) A person receiving benefits under AS 14.25.110, AS 22.25,
5 AS 39.35, or former AS 39.37 may continue the life insurance coverage that was in
6 effect under this section at the time of termination of employment with the state or
7 participating governmental unit.

8 (8) A person electing to have insurance under (7) of this subsection
9 shall pay the cost of this insurance.

10 (9) For each permanent part-time employee electing coverage under
11 this section, the state shall contribute one-half the state contribution rate for permanent
12 full-time state employees, and the permanent part-time employee shall contribute the
13 other one-half.

14 (10) A person receiving benefits under AS 14.25, AS 22.25, AS 39.35,
15 or former AS 39.37 may obtain auditory, visual, and dental insurance for that person
16 and eligible dependents under this section. The level of coverage for persons over 65
17 shall be the same as that available before reaching age 65 except that the benefits
18 payable shall be supplemental to any benefits provided under the federal old age,
19 survivors, and disability insurance program. A person electing to have insurance
20 under this paragraph shall pay the cost of the insurance. The commissioner of
21 administration shall adopt regulations implementing this paragraph.

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

27 (12) Each licensee holding a current operating agreement for a vending
28 facility under AS 23.15.010 - 23.15.210 shall be covered by the group policy that
29 applies to governmental units other than the state.

30 * Sec. 67. AS 39.30.095(d) is amended to read:

31 (d) If the commissioner of administration determines that there is more money

1 in the fund than the amount needed to pay premiums, benefits, and administrative
2 costs for the current fiscal year, the surplus, or so much of it as the commissioner of
3 administration considers advisable, may be invested by the commissioner of revenue
4 in the same manner as retirement funds are invested under AS 37.10.210 and
5 37.10.220 [AS 14.25.180].

6 * Sec. 68. AS 39.30.150(b) is amended to read:

7 (b) Employees of the division of marine transportation included in
8 AS 39.35.095 - 39.35.680 [THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM]
9 through the process of collective bargaining under AS 39.35.680(21)(D) may, under
10 the terms of a collective bargaining agreement, utilize contributions made under (a) of
11 this section on their behalf to offset the costs of inclusion in the public employees'
12 retirement system; however,

13 (1) the state is placed under no obligation to continue making
14 contributions under this section if the state resumes participation in the federal social
15 security system;

16 (2) the bargaining agreement must provide a mechanism for satisfying
17 any residual liabilities that might exist if the state resumes participation in the federal
18 social security system; and

19 (3) funds contributed under (a) of this section on behalf of employees
20 who are not covered by maritime union contracts may not be obligated or expended to
21 pay any costs associated with the inclusion of marine transportation employees in
22 AS 39.35.095 - 39.35.680 [THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM].

23 * Sec. 69. AS 39.30 is amended by adding a new section to read:

24 Sec. 39.30.151. Administrator. The commissioner of administration or the
25 commissioner's designee is the administrator of the plan described in AS 39.30.150 -
26 39.30.180.

27 * Sec. 70. AS 39.30 is amended by adding a new section to read:

28 Sec. 39.30.154. Powers and duties of the administrator. The administrator
29 has the same powers and duties with regard to the plan described in AS 39.30.150 -
30 39.30.180 as those set out for the administrator of the teachers' retirement system in
31 AS 14.25.004.

1 * Sec. 71. AS 39.30.155 is repealed and reenacted to read:

2 Sec. 39.30.155. Management and investment of fund. The Alaska
3 Retirement Management Board is the fiduciary of the fund and has the same powers
4 and duties under this section in regard to the fund as are provided under AS 37.10.210.

5 * Sec. 72. AS 39.30.160(a) is amended to read:

6 (a) The Department of Administration shall, in accordance with policies
7 prescribed by regulations of the Alaska Retirement Management [PUBLIC
8 EMPLOYEES RETIREMENT] Board, provide to employees for whom special
9 individual employee benefit accounts are established under AS 39.30.150 the
10 following benefit options:

- 11 (1) supplemental health benefits; [.]
12 (2) supplemental death benefits; [.]
13 (3) supplemental disability benefits; [.] and
14 (4) supplemental dependent care benefits.

15 * Sec. 73. AS 39.30.160(e) is amended to read:

16 (e) Regulations adopted by the board [PUBLIC EMPLOYEES
17 RETIREMENT BOARD] implementing AS 39.30.150 and this section are not subject
18 to AS 44.62 (Administrative Procedure Act).

19 * Sec. 74. AS 39.30.175(a) is amended to read:

20 (a) The board [ALASKA STATE PENSION INVESTMENT BOARD] is the
21 fiduciary of the mandatory receipts, under AS 39.30.150(a), of the employee benefits
22 program established under AS 39.30.150 - 39.30.180 and has the same powers and
23 duties concerning the management and investment in regard to those receipts as are
24 provided under AS 37.10.210 [AS 14.25.180].

25 * Sec. 75. AS 39.30.180 is amended by adding a new paragraph to read:

26 (3) "board" means the board of trustees of the Alaska Retirement
27 Management Board established under AS 37.10.210.

28 * Sec. 76. AS 39.30 is amended by adding new sections to read:

29 **Article 5. State of Alaska Teachers' and Public Employees' Retiree Health**
30 **Reimbursement Arrangement Plan.**

31 **Sec. 39.30.300. State of Alaska Teachers' and Public Employees' Retiree**

1 Health Reimbursement Arrangement Plan established. The State of Alaska
2 Teachers' and Public Employees' Retiree Health Reimbursement Arrangement Plan is
3 established for teachers who first become members of the defined contribution plan of
4 the teachers' retirement system under AS 14.25.310 - 14.25.590 on or after July 1,
5 2005, and employees of the state, political subdivisions of the state, and public
6 organizations of the state who first become members of the defined contribution plan
7 of the public employees' retirement system under AS 59.35.700 - 39.35.990 on or after
8 July 1, 2005.

9 **Sec. 39.30.310. Purpose and effective date.** (a) The purpose of the plan is to
10 allow medical care expenses to be reimbursed from individual savings accounts
11 established for eligible persons.

12 (b) The plan becomes effective July 1, 2005, at which time contributions by
13 employers begin.

14 **Sec. 39.30.320. Attorney general.** The attorney general of the state is the
15 legal counsel for the plan and shall advise the administrator and represent the plan in a
16 legal proceeding.

17 **Sec. 39.30.330. Administrator.** The commissioner of administration or the
18 commissioner's designee is the administrator of the plan.

19 **Sec. 39.30.340. Powers and duties of the administrator.** The administrator
20 shall establish a teachers' and public employees' retiree health reimbursement
21 arrangement plan trust fund in which the assets of the plan shall be deposited and held.
22 The administrator has the same powers and duties with regard to the plan and the trust
23 fund as provided in AS 14.25.004.

24 **Sec. 39.30.350. Employer contribution fund.** The fund established under
25 AS 39.30.340 is an employer contribution fund. The value of the fund reflects
26 employer contributions, expenses, and investment gains and losses. Employee
27 contributions to the fund are not permitted.

28 **Sec. 39.30.360. Management and investment of the fund.** The Alaska
29 Retirement Management Board is the fiduciary of the fund and has the same powers
30 and duties under this section in regard to the fund as are provided under AS 37.10.220.

31 **Sec. 39.30.370. Contributions by employers.** For each member of the plan,

1 an employer shall contribute to the teachers' and public employees' retiree health
2 reimbursement arrangement plan trust fund an amount equal to three percent of the
3 employer's average annual employee compensation. The administrator shall maintain
4 a record for each member to account for employer contributions on behalf of that
5 member. The board shall establish by regulation the rate of interest to be applied
6 annually to the amount in a member's individual account.

7 **Sec. 39.30.380. Termination of employment.** A person who terminates
8 employment before meeting the eligibility requirements of AS 14.25.470 or
9 AS 39.35.870 loses any right to the contributions made on behalf of the person to the
10 teachers' and public employees' retiree health reimbursement arrangement trust fund.
11 If a person who has not met the eligibility requirements of AS 14.25.470 or
12 AS 39.35.870 returns to employment with a participating employer within 10 years
13 after the date of termination, the person's account balance shall be restored in the
14 amount recorded on the date of termination from the trust, without interest or other
15 adjustment.

16 **Sec. 39.30.390. Eligibility and reimbursement.** Persons who meet the
17 eligibility requirements of AS 14.25.470 and AS 39.35.870 are eligible for
18 reimbursements from the individual account established for a member under the plan.
19 A person who is the dependent child of an eligible member is eligible for
20 reimbursements if the eligible member and surviving spouse have both died so long as
21 the person meets the definition of dependent child.

22 **Sec. 39.30.400. Benefits payable from the individual account.** (a) The
23 administrator may deduct the cost of monthly premiums from the individual account
24 for retiree major medical insurance on behalf of an eligible person who elected retiree
25 major medical insurance under AS 14.25.480 or AS 39.35.880.

26 (b) Upon application of an eligible person, the administrator shall reimburse to
27 the eligible person the costs for medical care expenses as defined in 26 U.S.C. 213(d).
28 Reimbursement is limited to the medical expenses of

29 (1) an eligible member, the spouse of an eligible member, and the
30 dependent children of an eligible member; or

31 (2) a surviving spouse and the dependent children of an eligible

1 member dependent on the surviving spouse.

2 (c) When the member's individual account balance is exhausted, the insurance
3 premium deductions under (a) of this section and the reimbursement of medical care
4 expenses under (b) of this section end.

5 (d) If all eligible persons die before exhausting the member's individual
6 account, the account balance shall revert to the plan.

7 **Sec. 39.30.410. Exemption from taxation and process.** (a) Contributions
8 and other amounts held in the plan on behalf of a member or other person who is or
9 may become eligible for benefits under the plan may be used only to reimburse
10 eligible medical expenses, are exempt from Alaska state and municipal taxes and
11 federal taxes to the extent allowed under the Internal Revenue Code, and are not
12 subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or
13 charge of any kind, either voluntary or involuntary, before they are received by the
14 person entitled to the amount under the terms of the plan. Any attempt to anticipate,
15 alienate, sell, transfer, assign, pledge, encumber, charge, or otherwise dispose of any
16 right to amounts accrued in the plan is void. However, a member's right to receive
17 benefits may be assigned

18 (1) under a qualified domestic relations order; or

19 (2) to a trust or similar legal device that meets the requirements for a
20 Medicaid-qualifying trust under AS 47.07.020(f) and 42 U.S.C. 1396p(d)(4).

21 (b) Notwithstanding AS 09.38.065, contributions and other amounts held in
22 the plan and benefits payable under this plan are exempt from garnishment, execution,
23 or levy.

24 **Sec. 39.30.420. Amendment and termination of plan.** (a) The state has the
25 right to amend the plan at any time and from time to time, in whole or in part,
26 including the right to make retroactive amendments referred to in 26 U.S.C. 401(b).

27 (b) The plan administrator may not modify or amend the plan retroactively in
28 such a manner as to reduce the benefits of any member accrued to date under the plan
29 by reason of contributions made before the modification or amendment except to the
30 extent that the reduction is permitted by the Internal Revenue Code.

31 (c) The state may, in its discretion, terminate the plan in whole or part at any

1 time without liability for the termination. If the plan is terminated, all investments
2 remain in force until all individual accounts have been completely distributed under
3 the plan, and, after all plan liabilities are satisfied, excess assets revert to the employer.

4 (d) Any contribution made by an employer to the plan because of a mistake of
5 fact must be returned to the employer by the administrator within one year after the
6 contribution or discovery, whichever is later.

7 **Sec. 39.30.430. Exclusive benefit; credits of unvested amounts.** (a) The
8 corpus or income of the assets held in trust as required by the plan may not be diverted
9 or used for other than the exclusive benefit of the participants.

10 (b) Employer contributions to employee individual accounts, and any related
11 earnings, in which terminated employees have not vested shall be credited back to the
12 employer that made the contributions.

13 (c) The assets of the plan may not be used to pay premiums or contributions of
14 the employer under another plan maintained by the employer.

15 **Sec. 39.30.495. Definitions.** Unless the context requires otherwise, in
16 AS 39.30.300 - 39.30.495

17 (1) "administrator" means the commissioner of administration or the
18 commissioner's designee;

19 (2) "board" means the Alaska Retirement Management Board
20 established under AS 37.10.210;

21 (3) "compensation" has the meaning given in AS 14.25.590;

22 (4) "eligible person" means a person who meets the eligibility
23 requirements of AS 14.25.470 or AS 39.35.870;

24 (5) "dependent child" has the meaning given in AS 39.35.680;

25 (6) "employer" has the meaning given in AS 14.25.590 for employers
26 of teachers in the defined contribution plan established in AS 14.25.310 - 14.25.590
27 and has the meaning given in AS 39.35.990 for employers of public employees in the
28 defined contribution plan established in AS 39.35.700 - 39.35.990;

29 (7) "fund" means the assets of the teachers' and public employees'
30 retiree health reimbursement arrangement plan trust fund;

31 (8) "individual account" means the record established by the

1 administrator for individual employees under the teachers' and public employees'
2 retiree health reimbursement arrangement plan;

3 (9) "member" means a member of the defined contribution plan of the
4 teachers' retirement system in AS 14.25.310 - 14.25.590 or a member of the public
5 employees' retirement system in AS 39.35.700 - 39.35.990;

6 (10) "plan" means the State of Alaska Teachers' and Public Employees'
7 Retiree Health Reimbursement Arrangement Plan established in AS 39.30.300;

8 (11) "qualified domestic relations order" has the meaning given in
9 AS 14.25.220.

10 * Sec. 77. AS 39.35 is amended by adding new sections to read:

11 **Article 1. Administration of the Public Employees' Retirement System of Alaska.**

12 **Sec. 39.35.001. Purpose.** The purpose of this chapter is to encourage
13 qualified personnel to enter and remain in service with participating employers by
14 establishing plans for the payment of retirement, disability, and death benefits to or on
15 behalf of the members.

16 **Sec. 39.35.002. Attorney general.** The attorney general of the state is the
17 legal counsel for the system and shall advise the administrator and represent the
18 system in a legal proceeding.

19 **Sec. 39.35.003. Administrator.** (a) The commissioner of administration or
20 the commissioner's designee is the administrator of the system.

21 (b) The commissioner of administration shall adopt regulations to govern the
22 operation of the system.

23 **Sec. 39.35.004. Powers and duties of the administrator.** (a) The
24 administrator shall

- 25 (1) establish and maintain an adequate system of accounts;
26 (2) transmit the funds deposited in the system to the retirement fund
27 established and maintained by the Alaska Retirement Management Board;
28 (3) approve or disapprove claims for retirement benefits;
29 (4) make payments for the various purposes specified;
30 (5) submit periodic reports or statements of account that are needed;
31 (6) issue a statement of account to an employee not less than once each

1 year showing the amount of the employee's contributions to the applicable plan in the
2 system;

3 (7) formulate and recommend to the commissioner of administration
4 regulations to govern the operation of the system;

5 (8) as soon as possible after the close of each fiscal year, and not later
6 than six months after the close of each fiscal year, send to the governor and the
7 legislature an annual statement on the operations of each of the plans in the system
8 containing

9 (A) a balance sheet;

10 (B) a statement of income and expenditures for the year;

11 (C) a report on valuation of trust fund assets;

12 (D) a summary of assets held in the trust fund listed by the
13 categories of investment, as provided by the Alaska Retirement Management
14 Board;

15 (E) other statistical financial data that are necessary for proper
16 understanding of the financial condition of the system as a whole and each plan
17 in the system and the result of its operations;

18 (9) engage an independent certified public accountant to conduct an
19 annual audit of each plan's accounts and the annual report of the system's financial
20 condition and activity;

21 (10) report to the Legislative Budget and Audit Committee concerning
22 the condition and administration of each plan and distribute the report to the members
23 of each plan in the system;

24 (11) publish an information handbook for each plan in the system at
25 intervals that the administrator considers appropriate;

26 (12) meet at least annually with the board to review the condition and
27 management of the retirement systems and to review significant changes to policies,
28 regulations or benefits; and

29 (13) do whatever else may be necessary to carry out the purposes of
30 each plan in the system.

31 (b) The administrator is authorized to charge uniform fees to members'

1 accounts to cover the ongoing cost of operating each plan in the system.

2 (c) The administrator is authorized to contract with public and private entities
3 to provide record keeping, benefits payments, and other functions necessary for the
4 administration of each plan in the system.

5 Sec. 37.35.005. Regulations. (a) Regulations adopted by the commissioner
6 of administration under this chapter relate to the internal management of state
7 agencies, and the adoption of these regulations is not subject to AS 44.62
8 (Administrative Procedure Act).

9 (b) Notwithstanding (a) of this section, a regulation adopted under this chapter
10 shall be published in the Alaska Administrative Register and Code for informational
11 purposes.

12 (c) Each regulation adopted under this chapter must conform to the style and
13 format requirements of the drafting manual for administrative regulations that is
14 published under AS 44.62.050.

15 (d) At least 30 days before the adoption, amendment, or repeal of a regulation
16 under this chapter, the commissioner shall provide notice of the action that is being
17 considered. The notice shall be

18 (1) posted in public buildings throughout the state;

19 (2) published in one or more newspapers of general circulation in each
20 judicial district of the state;

21 (3) mailed to each person or group that has filed a request for notice of
22 proposed action with the commissioner; and

23 (4) furnished to each member of the legislature and to the Legislative
24 Affairs Agency.

25 (e) Failure to mail notice to a person as required under (d)(3) of this section
26 does not invalidate an action taken by the commissioner.

27 (f) The commissioner may hold a public hearing on a proposed regulation.

28 (g) A regulation adopted under this chapter takes effect 30 days after adoption
29 by the commissioner.

30 (h) Notwithstanding the other provisions of this section, a regulation may be
31 adopted, amended, or repealed, effective immediately, as an emergency regulation by

1 the commissioner. For an emergency regulation to be effective the commissioner
2 must find that the adoption, amendment, or repeal of the regulation is necessary for the
3 immediate preservation of the orderly operation of the system. The commissioner
4 shall, within 10 days after adoption of an emergency regulation, give notice of the
5 adoption under (d) of this section.

6 (i) In this section, "regulation" has the meaning given in AS 44.62.640(a).

7 **Sec. 39.35.006. Appeals.** An employer, member, annuitant, or beneficiary
8 may appeal a decision made by the administrator to the office of administrative
9 hearings established under AS 44.64. An aggrieved party may appeal a final decision
10 to the superior court.

11 **Sec. 39.35.007. Investment management of retirement system funds.** The
12 Alaska Retirement Management Board established under 37.10.210 is the fiduciary of
13 the system funds.

14 **Sec. 39.35.008. Definitions.** In AS 39.35.001 - 39.35.008,

15 (1) "commissioner" means the commissioner of administration;

16 (2) "plan" means the retirement plan established in AS 39.35.095 -
17 39.35.680 or the retirement plan established in AS 39.35.700 - 39.35.990;

18 (3) "system" means all retirement plans established under the public
19 employees' retirement system.

20 * **Sec. 78.** AS 39.35 is amended by adding a new section to read:

21 **Article 2. Public Employees First Hired before July 1, 2005.**

22 **Sec. 39.35.095. Applicability of AS 39.35.095 - 39.35.680 to employees first**
23 **hired before July 1, 2005.** The following provisions of this chapter apply only to
24 members first hired before July 1, 2005: AS 39.35.095 - 39.35.680.

25 * **Sec. 79.** AS 39.35.100 is amended to read:

26 **Sec. 39.35.100. Accounting.** (a) The commissioner of administration shall
27 establish and maintain an adequate system of accounts and records for the plan
28 [SYSTEM]. The accounts and records shall be integrated with the accounts, records,
29 and procedures of the employers to the end that they operate most effectively and at
30 minimum expense, and that duplication of records and accounts is avoided.

31 (b) All income of the pension fund and all disbursements made by the fund

1 shall be credited or charged, whichever is appropriate, to the following accounts:

2 (1) An individual account shall be maintained for each employee to
3 record the amount of the employee's mandatory contributions collected under
4 AS 39.35.160(a). As of the last day of each calendar year and each fiscal year
5 beginning with June 30, 1969, this account shall be credited with interest, by applying
6 [ONE HALF OF] the prescribed rate of interest as determined by the board to the
7 balance in the account as of that date. Within one year following retirement, the
8 amount actuarially determined as necessary to fully fund the benefits to be received
9 shall be transferred first from the employee contribution account and, after the
10 employee contribution account has been exhausted, then from the employer
11 contribution account into the retirement reserve account.

12 (2) An individual account shall be maintained for each employee to
13 record the amount of the employee's voluntary contributions. As of the last day of
14 each calendar year and each fiscal year beginning with June 30, 1969, this account
15 shall be credited with interest, by applying [ONE HALF OF] the prescribed rate of
16 interest as determined by the board to the balance in the account as of that date.
17 Amounts that, before termination of employment, are withdrawn by an employee from
18 the employee's savings account shall be charged to that account. Upon retirement, the
19 amount actuarially determined as necessary to fully fund the benefits to be received
20 shall be transferred first from the employee savings account and, after the employee
21 savings account has been exhausted, then from the employer contribution account into
22 the retirement reserve account.

23 (3) A separate account for each employer shall be maintained. The
24 account shall be credited with contributions of the employer. This account shall be
25 charged with the employer's actuarial charge for pension, death benefits, and other
26 benefits paid under this plan [SYSTEM] to or on behalf of the employee of the
27 employer. After an allowance for interest credited to employee contribution accounts
28 and employee savings accounts, the investment income of the pension fund shall be
29 allocated to the retirement reserve account and to each employer asset share account
30 according to the ratio that the average of the assets in the account as of the beginning
31 and as of the end of the fiscal year bears to the total of the average balance of the

1 retirement reserve account and all employer accounts.

2 (4) An expense account shall be maintained for the plan [SYSTEM].
3 This account shall be charged with all disbursements representing administrative
4 expenses incurred by the plan [SYSTEM]. At the end of the year the expense account
5 shall be allocated to each employer in accordance with (3) of this subsection.
6 Expenditures from this account shall be included in the governor's budget for each
7 fiscal year and are subject to approval by the legislature.

8 * Sec. 80. AS 39.35 is amended by adding a new section to article 2 to read:

9 Sec. 39.35.115. **Defined benefit retirement plan.** (a) A defined benefit
10 retirement plan for employees of the state, political subdivisions, and public
11 organizations is created. The plan becomes effective January 1, 1961, at which time
12 contributions by the employers and members begin.

13 (b) The retirement plan established by AS 39.35.095 - 39.35.680 is intended to
14 qualify under 26 U.S.C. 401(a) and 414(d) (Internal Revenue Code) as a qualified
15 retirement plan established and maintained by the state for its employees and for the
16 employees of political subdivisions, public corporations, and public organizations of
17 the state, and for the employees of other employers whose participation is authorized
18 by AS 39.35.095 - 39.35.680 and who participate in this plan.

19 (c) An amendment to AS 39.35.095 - 39.35.680 does not provide a person
20 with a vested right to a benefit if the Internal Revenue Service determines that the
21 amendment will result in disqualification of the plan under the Internal Revenue Code.

22 * Sec. 81. AS 39.35.120 is amended to read:

23 Sec. 39.35.120. **Commencement of participation.** (a) An employee of the
24 state shall be included in this system upon commencement of employment with the
25 state, or on January 1, 1961, whichever is later. Unless an employee participates in a
26 [HAS ELECTED TO PARTICIPATE IN THE OPTIONAL] university retirement
27 program under AS 14.40.661 - 14.40.799, an employee of a political subdivision or
28 public organization that becomes an employer shall be included in the system on the
29 effective date of the employer's participation or the date of the employee's
30 commencement of employment with the employer, whichever is later.

31 (b) Inclusion in the system is a condition of employment for an employee

1 except as otherwise provided for

2 (1) an elected official;

3 (2) an employee making an election under AS 39.35.150(b); and

4 (3) an employee of the university who participates in a [HAS
5 ELECTED TO PARTICIPATE IN THE OPTIONAL] university retirement program
6 under AS 14.40.661 - 14.40.799.

7 * Sec. 82. AS 39.35.131 is amended to read:

8 Sec. 39.35.131. Membership in teachers' and public employees'
9 retirement systems. (a) A person who is employed at least half-time in the plan
10 [SYSTEM] during the same period that the person is employed at least half-time in a
11 position in the teachers' retirement plan [SYSTEM] under AS 14.25.009 - 14.25.220
12 [AS 14.25] shall receive credited service under each plan [SYSTEM] for half-time
13 employment. However, the amount of credited service a person receives under the
14 plan [SYSTEM] during a school year may not exceed the amount necessary, when
15 added to the amount of credited service earned during the school year under the
16 teachers' retirement system, to equal one year of credited service.

17 (b) A person who was employed at least half-time in a position in the teachers'
18 retirement plan [SYSTEM] under AS 14.25.009 - 14.25.220 [AS 14.25] in the same
19 period that the person was employed at least half-time in a position in this plan
20 [SYSTEM] may claim credited service in both plan [SYSTEMS] for employment
21 before May 31, 1989. To obtain this credited service, the person shall claim the
22 service and verify the period of half-time employment. When eligibility for half-time
23 service credit has been established, an indebtedness shall be determined to the
24 retirement plan [SYSTEM] in which the person did not participate. The amount of
25 the indebtedness is the full actuarial cost of providing benefits for the credited service
26 claimed. Interest as prescribed by regulation accrues on that indebtedness beginning
27 on the later of July 1, 1989, or the date on which the member is first eligible to claim
28 the service. Any outstanding indebtedness existing at the time the person retires will
29 require an actuarial adjustment to the benefits payable based on that service.

30 * Sec. 83. AS 39.35.158 is amended to read:

31 Sec. 39.35.158. Administrative director of courts. An administrative

1 director of the Alaska court system who withdraws from the judicial retirement system
2 under AS 22.25.012 is eligible for membership in the plan [SYSTEM] and shall
3 receive credited service in the plan [SYSTEM] for service rendered as administrative
4 director. To be eligible for membership in the plan [SYSTEM] under this subsection,
5 the administrative director must contribute to the plan [SYSTEM]

6 (1) the amount the director would have contributed if the director had
7 been a member during the director's period of membership in the judicial retirement
8 system; and

9 (2) any contributions for services as administrative director refunded
10 by the plan [SYSTEM] at the time the director became a member of the judicial
11 retirement system.

12 * Sec. 84. AS 39.35.165(a) is amended to read:

13 (a) An employee who is eligible to purchase credited service under
14 AS 39.35.310, 39.35.330, 39.35.340, 39.35.342, 39.35.345, [39.35.350,] 39.35.360, or
15 39.35.370, a member who is eligible to purchase credited service under AS 39.35.375,
16 or an elected public official who is eligible to purchase credited service under
17 AS 39.35.381 is an employee for purposes of this section. An employee may, in lieu
18 of making payments directly to the plan, elect to have the employee's employer make
19 payments as provided in this section.

20 * Sec. 85. AS 39.35.165(b) is amended to read:

21 (b) An employee may elect to have the employer make payments for all or any
22 portion of the amounts payable for the employee's purchase of credited service
23 through a salary reduction program as follows:

24 (1) the amounts paid under a salary reduction program are in lieu of
25 contributions by the employee making the election; the electing employee's salary or
26 other compensation shall be reduced by the amount paid by the employer under this
27 subsection;

28 (2) the employee shall make an irrevocable election under this section
29 to purchase credited service as permitted in AS 39.35.310, 39.35.330, 39.35.340,
30 39.35.342, 39.35.345, [39.35.350,] 39.35.360, 39.35.370, 39.35.375, or 39.35.381 and
31 before the employee's termination of employment; the irrevocable election must

1 specify the number of payroll periods that deductions will be made from the
2 employee's compensation and the dollar amount of deductions for each payroll period
3 during the specified number of payroll periods; the deductions made under this
4 paragraph cease upon the earlier of the member's termination of employment with the
5 employer or the member's death; amounts paid by an employer under (f) of this
6 section may not be applied toward the payment of the dollar amount of the deductions
7 representing the portion of the credited service that is being purchased by the member
8 through payroll deduction in accordance with the member's irrevocable election under
9 this subsection;

10 (3) amounts paid by an employer under this subsection shall be treated
11 as employer contributions for the purpose of determining tax treatment under the
12 Internal Revenue Code; the amounts paid by the employer under this section may not
13 be included in the member's gross income for income tax purposes until those amounts
14 are distributed by refund or retirement benefit payments.

15 * Sec. 86. AS 39.35.165(f) is amended to read:

16 (f) The commissioner may accept rollover contributions from a member [AND
17 DIRECT TRANSFERS, AS DESCRIBED IN THIS SUBSECTION, FOR THE
18 PURCHASE, IN WHOLE OR IN PART, OF CREDITED SERVICE FOR THE
19 REINSTATEMENT, IN WHOLE OR IN PART, OF FORFEITED CREDITED
20 SERVICE UNDER AS 39.35.350]. A rollover contribution [OR TRANSFER] as
21 described in this subsection shall also be treated as employer contributions for the
22 purpose of determining tax treatment under the Internal Revenue Code and may be
23 made by any one or a combination of the following methods:

24 (1) subject to the limitations prescribed in 26 U.S.C. 401(a)(3) and 26
25 U.S.C. 402(c), accepting eligible rollover distributions directly from one or more
26 retirement programs of another employer that are qualified under 26 U.S.C. 401(a) or
27 accepting rollovers directly from a member;

28 (2) subject to the limitations prescribed in 26 U.S.C. 408(d)(3)(A)(ii),
29 accepting from a member conduit rollover contributions that are received by the
30 employee from one or more conduit rollover individual retirement accounts previously
31 established by the member;

1 (3) subject to the limitations prescribed in 26 U.S.C. 403(b)(13),
2 accepting direct trustee-to-trustee transfers of all or a portion of the accounts of the
3 member, on or after January 1, 2002, from a tax sheltered annuity described in 26
4 U.S.C. 403(b);

5 (4) subject to the limitations prescribed in 26 U.S.C. 457(e)(17),
6 accepting direct trustee-to-trustee transfers of all or a portion of the accounts of the
7 member, on or after January 1, 2002, from an eligible deferred compensation plan of a
8 tax-exempt organization or a state or local government described in 26 U.S.C. 457(b);

9 (5) accepting direct trustee-to-trustee transfer from an account
10 established for the benefit of the member in AS 39.30.150 - 39.30.180 (Alaska
11 Supplemental Annuity Plan).

12 * Sec. 87. AS 39.35.165(g) is amended to read:

13 (g) Payments made under this section shall be applied to reduce the
14 employee's outstanding indebtedness described in AS 39.35.310, 39.35.330,
15 39.35.340, 39.35.342, 39.35.345, [39.35.350,] 39.35.360, 39.35.370, 39.35.375, or
16 39.35.381 at the time that the contributions are received by the plan.

17 * Sec. 88. AS 39.35.165(i) is amended to read:

18 (i) On satisfaction of the eligibility requirements of AS 39.35.310, 39.35.330,
19 39.35.340, 39.35.341, 39.35.345, [39.35.350,] 39.35.360, 39.35.370, 39.35.375, or
20 39.35.381, the requirements of this section, and the administrative filing requirements
21 specified by the commissioner, the plan shall adjust the employee's credited service
22 history and add any additional service credits acquired.

23 * Sec. 89. AS 39.35.200 is amended by adding a new subsection to read:

24 (d) An employee who receives a refund of contributions in accordance with
25 this section forfeits corresponding credited service under AS 39.35.095 - 39.35.680.

26 * Sec. 90. AS 39.35.250 is amended to read:

27 Sec. 39.35.250. Calculation of employer's contribution rate. (a) An
28 employer shall make contributions to the plan [SYSTEM] in amounts determined by
29 the board in accordance with this section. For the purposes of this section, the past
30 service date for each employer is the entry date of the employer or December 31,
31 1972, whichever is later. After December 31, 1972, if amendments to AS 39.35.095 -

1 39.35.680 [THIS CHAPTER] are enacted that substantially affect benefits accrued
2 before the effective date of the amendment, the past service date will be changed to
3 December 31 of the year immediately preceding that in which the amendment is
4 enacted. The contribution rate is the sum of the consolidated employer rate and the
5 past service rate.

6 (b) In (a) of this section, "consolidated employer rate" means the percentage
7 of compensation of all active employees in the plan that [SYSTEM WHICH], if paid
8 over the period of their credited service after their past service date and when
9 combined with all employee contributions, is sufficient to provide the benefits earned
10 after such past service dates. This percentage is uniformly determined for all
11 employers and is applicable to each employer, but may not be less than 10 percent.

12 (c) In (a) of this section, "past service rate" means the percentage of
13 compensation of all active employees in the plan [SYSTEM] necessary to provide the
14 annual amount required to amortize the unfunded obligations of the employer for
15 benefits earned before the employer's past service date over a period not to exceed 40
16 years. The period of amortization begins at the past service date of each employer.
17 The percentage is separately determined for each employer.

18 * Sec. 91. AS 39.35.340(f) is amended to read:

19 (f) An employee may not [CANNOT] be credited with a period of active
20 military service in the armed forces of the United States under this section if credit for
21 that military service was granted under AS 14.25.009 - 14.25.220 [AS 14.25].

22 * Sec. 92. AS 39.35.340(h) is amended to read:

23 (h) The combined period of military service claimed under this section and
24 under AS 14.25.009 - 14.25.220 [AS 14.25] may not exceed five years.

25 * Sec. 93. AS 39.35.360(i) is amended to read:

26 (i) An employee who completes three years of credited service with an
27 employer, for which the employee makes contributions required by AS 39.35.095 -
28 39.35.680 [THIS CHAPTER], is entitled to credited service on a year-for-year basis
29 for service credited in the Civil Service Retirement System, rendered as an employee
30 of an Alaska Bureau of Indian Affairs (BIA) school, other than service as a teacher.
31 When eligibility for retroactive credited service under this subsection has been

1 established, an indebtedness of the employee to the plan [SYSTEM] shall be
2 determined as follows: (1) the employee's actual annual compensation, or the
3 calculated annual compensation for an employee who works fewer than 12 months, for
4 the most recent calendar year in which service is rendered to an employer before the
5 calendar year in which the employee first becomes eligible to claim service under this
6 subsection, multiplied by (2) the number of years of service in Alaska BIA schools
7 that is credited under this subsection, and this product multiplied by (3) six percent for
8 employees first eligible to claim this service before January 1, 1987, or eight and one-
9 half percent for employees first eligible to claim this service on or after January 1,
10 1987. Interest as prescribed by regulation accrues on the indebtedness beginning on
11 the date the employee may first claim the retroactive credited service. Any
12 outstanding indebtedness that exists at the time the employee retires requires an
13 actuarial adjustment to the benefits that are based on retroactive credited service under
14 this subsection. A retirement benefit payable under this subsection for Alaska BIA
15 service shall be reduced by an amount equal to the retirement benefits paid to the
16 member by the United States government for the same service.

17 * Sec. 94. AS 39.35.360(l) is amended to read:

18 (l) An administrative director of the Alaska Court System who withdraws
19 from the judicial retirement system under AS 22.25.012(b) is eligible for membership
20 in the plan [PUBLIC EMPLOYEES' RETIREMENT SYSTEM] and shall receive
21 credited service in this plan [SYSTEM] for service rendered as administrative
22 director. To be eligible for membership in this plan [SYSTEM] under this subsection,
23 the administrative director must contribute to the plan [SYSTEM]

24 (1) the amount that would have been contributed if the administrative
25 director had been a member during the period of the membership in the judicial
26 retirement system; and

27 (2) any contributions for service as administrative director refunded
28 from the plan [PUBLIC EMPLOYEES' RETIREMENT SYSTEM] at the time the
29 administrative director became a member of the judicial retirement system.

30 * Sec. 95. AS 39.35.370(g) is amended to read:

31 (g) When an employee who was employed as a dispatcher in a state trooper

1 office or in a police or fire department in the plan [PUBLIC EMPLOYEES'
2 RETIREMENT SYSTEM] applies for appointment to retirement, the employee may
3 convert the credited service for that position to credited service as a peace officer by
4 claiming the service as peace officer service. An employee who has converted
5 credited service to peace officer service under this subsection shall be treated as a
6 peace officer for purposes of AS 39.35.095 - 39.35.680 [THIS CHAPTER]. When the
7 member claims this credited service as peace officer service, an indebtedness of the
8 member to the plan [SYSTEM] shall be established. The indebtedness is equal to the
9 full actuarial cost of the conversion of the credited service to treatment as peace
10 officer service. Any outstanding indebtedness that exists at the time the member is
11 appointed to retirement shall [WILL] require an actuarial adjustment to the benefits
12 payable based upon the conversion of the credited service.

13 * Sec. 96. AS 39.35.375(a) is amended to read:

14 (a) An active or inactive member who has never been vested in this plan
15 [SYSTEM] or in the teachers' retirement plan [SYSTEM] under AS 14.25.009 -
16 14.25.220 [AS 14.25], who has at least two years of credited service in this plan
17 [SYSTEM], and who has membership service in the teachers' retirement system may
18 claim credited service in this plan [SYSTEM] in an amount equal to the membership
19 service the member has in the teachers' retirement system. The claimed credited
20 service may be added to service earned under AS 39.35.095 - 39.35.680 [THIS
21 CHAPTER] to enable the member to qualify for a public service benefit under this
22 section. The member may not claim credited service for membership service for
23 which the member has received a refund under AS 14.25.150 unless the member fully
24 pays the indebtedness as established under AS 14.25.063. The member may not claim
25 credited service in this plan [SYSTEM] based on unused sick leave under
26 AS 14.25.115.

27 * Sec. 97. AS 39.35.375(b) is amended to read:

28 (b) To claim credited service under this section, the member shall file a
29 written request with the administrator when the member applies to retire. The
30 administrator shall determine the full actuarial cost of benefits based on the member's
31 total credited service and shall transfer from the teachers' retirement system to this

1 plan [SYSTEM] an amount equal to the sum of the member contributions and any
2 indebtedness payments to the teachers' retirement system and the employer
3 contributions to the teachers' retirement system made on behalf of the employee
4 together with interest earned on those contributions and indebtedness payments. If the
5 amount to be transferred, when combined with the amount of employee contributions
6 and indebtedness payments to this plan [SYSTEM] and the amount of employer
7 contributions on behalf of the employee in this plan [SYSTEM], and interest earned
8 on contributions and indebtedness payments for the employee, is less than the full
9 actuarial cost computed under this subsection, an indebtedness to the plan [SYSTEM]
10 equal to the amount of the difference is established. Interest as prescribed by
11 regulation accrues on the indebtedness. The member must pay any outstanding
12 indebtedness existing at the time the member applies for retirement in full before the
13 member is appointed to retirement under this section.

14 * Sec. 98. AS 39.35.375(c) is amended to read:

15 (c) A member is entitled to receive a public service benefit under this section
16 if the member has at least a total of five years credited service under AS 39.35.095 -
17 39.35.680 [THIS CHAPTER] and credited service from the teachers' retirement plan
18 under AS 14.25.009 - 14.25.220 [SYSTEM] claimed under this section. A public
19 service benefit shall be calculated using the higher of the average monthly
20 compensation for service in this plan [SYSTEM] or the average base salary for
21 service in the teachers' retirement plan under AS 14.25.009 - 14.25.220 [SYSTEM].
22 The amount of the benefit shall be calculated in accordance with AS 39.35.370(c).

23 * Sec. 99. AS 39.35.375(d) is amended to read:

24 (d) Credited service earned under either this plan [SYSTEM] or the teachers'
25 retirement system that has been claimed for a public service benefit under this section
26 may not be used for any other purpose. A member who claims credited service under
27 this section loses all rights to benefits under AS 14.25 based on the claimed credited
28 service. A member may not claim credited service under this section unless the
29 member claims all of the membership service the member has in the teachers'
30 retirement system. A public service benefit does not constitute a normal or early
31 retirement benefit for purposes of qualifying for a conditional service retirement

1 benefit under AS 14.25.125 or AS 39.35.385.

2 * Sec. 100. AS 39.35.375(f) is amended to read:

3 (f) Notwithstanding AS 14.25.063 and AS 39.35.350, a former member of the
4 teachers' retirement system who is an active member or inactive member of this plan
5 [SYSTEM] may reinstate, under this section, membership service earned under
6 AS 14.25 for which the member received a refund of contributions.

7 * Sec. 101. AS 39.35.375(f) is amended to read:

8 (f) Notwithstanding AS 14.25.063 [AND AS 39.35.350], a former member of
9 the teachers' retirement system who is an active member or inactive member of this
10 plan may reinstate, under this section, membership service earned under AS 14.25 for
11 which the member received a refund of contributions.

12 * Sec. 102. AS 39.35.375(g) is amended to read:

13 (g) If a member retires under this section and subsequently returns to work for
14 an employer under this plan [SYSTEM] or the teachers' retirement system, benefits
15 under this section shall cease during the period of reemployment and shall
16 recommence when the reemployment is ended. The credited service earned during the
17 period of reemployment may not be added to the credited service claimed for a public
18 service benefit under this section. If a member vests and meets the other eligibility
19 requirements under this system or the teachers' retirement system during the
20 reemployment, the member is entitled to a benefit under AS 14.25.009 - 14.25.220
21 [AS 14.25] or 39.35.095 - 39.35.680 [AS 39.35], as appropriate.

22 * Sec. 103. AS 39.35.375 is amended by adding a new subsection to read:

23 (h) In this section,

24 (1) "teachers' retirement system" and "teachers' retirement system
25 under AS 14.25" means the teachers' retirement plan established in AS 14.25.009 -
26 14.25.220;

27 (2) "membership service earned under AS 14.25" means membership
28 service earned under AS 14.25.009 - 14.25.220.

29 * Sec. 104. AS 39.35.381(a) is amended to read:

30 (a) An elected public officer is eligible for a public officer benefit if the officer
31 is retired under AS 14.25.009 - 14.25.220 [AS 14.25 (TEACHERS' RETIREMENT

1 SYSTEM)]. Only fully paid credited service as an elected public officer of a
2 municipality or other political subdivision, earned while the municipality or political
3 subdivision was an employer under this plan [SYSTEM] and while the person was
4 employed full-time under AS 14.25.009 - 14.25.220 [AS 14.25], may be counted
5 under this section.

6 * Sec. 105. AS 39.35.385(f) is amended to read:

7 (f) Subject to AS 39.35.450, an employee is eligible for a normal retirement
8 benefit at age 60 or an early retirement benefit at age 55 if the employee was first
9 hired as a legislative employee before May 30, 1987, and has at least 120 [60] days of
10 credited service as an employee of the legislature, other than as an employee of the
11 Office of the Ombudsman or the office of victims' rights, during each of five
12 legislative sessions. An employee who was first hired as a legislative employee on or
13 after May 30, 1987, and is otherwise eligible under this subsection must have at least
14 120 [80] days of credited service during each of five legislative sessions to receive
15 benefits under this subsection.

16 * Sec. 106. AS 39.35.410(f) is amended to read:

17 (f) An employee is not entitled to an occupational disability benefit unless the
18 employee files an application for it with the administrator within 90 days of the date of
19 terminating employment. If the employee is unable to meet a filing requirement of
20 this subsection, it may be waived by the commissioner [PUBLIC EMPLOYEES'
21 RETIREMENT BOARD] if there are extraordinary circumstances that resulted in the
22 employee's inability to meet the filing requirement. [THE BOARD MAY
23 DELEGATE THE AUTHORITY TO WAIVE A FILING DEADLINE UNDER THIS
24 SUBSECTION TO THE ADMINISTRATOR.]

25 * Sec. 107. AS 39.35.475(a), as that subsection read following amendment by sec. 34, ch.
26 146, SLA 1980, until amended by sec. 41, ch. 82, SLA 1986, is amended to read:

27 (a) When the administrator determines that the cost of living has increased and
28 that the financial condition of the retirement fund permits, the administrator [HE]
29 shall increase benefit payments to persons receiving benefits under this plan. For
30 purposes of this subsection, the financial condition of the fund would only permit
31 an increase in benefits when the ratio of total fund assets to the accrued liability

1 meets or exceeds 110 percent. In this subsection, "accrued liability" means the
2 present value of all member benefits accrued by member service in this plan
3 [SYSTEM].

4 * Sec. 108. AS 39.35.485(a) is amended to read:

5 (a) An employee who is eligible for a benefit calculated in accordance with
6 AS 39.35.370(c) is entitled to a benefit of at least \$25 a month for each year of
7 credited service, not including adjustments made under AS 39.35.340 for military
8 service. [AS 39.35.350 FOR REINSTATEMENT OF CREDITED SERVICE,]
9 AS 39.35.360 for credit for earlier service, AS 39.35.370(c) for early retirement,
10 AS 39.35.420 for nonoccupational death benefits, AS 39.35.450 for the survivor's
11 option, former AS 39.35.460 for the level income option, AS 39.35.475 for the post-
12 retirement pension adjustment, and AS 39.35.480 for the cost of living.

13 * Sec. 109. AS 39.35.520(c) is amended to read:

14 (c) At least quarterly [AT EACH REGULARLY SCHEDULED MEETING
15 OF THE PUBLIC EMPLOYEES' RETIREMENT BOARD], the administrator shall
16 report to the commissioner of administration [BOARD] on all situations since the
17 administrator's last report in which an adjustment has been prohibited under (b) of this
18 section. If the commissioner of administration [BOARD] finds that there is reason
19 to believe that one or more of the conditions set out in (b) of this section have not been
20 met, the administrator shall notify the member or beneficiary that an adjustment will
21 be made to recover the overpayment. A member or beneficiary who receives notice of
22 adjustment under this subsection may file a request with the commissioner of
23 administration [APPEAL TO THE BOARD] for a waiver of the adjustment under
24 AS 39.35.522. An adjustment may not be required while the waiver request
25 [APPEAL] is pending.

26 * Sec. 110. AS 39.35.522(a) is amended to read:

27 (a) Upon request [APPEAL BY] an affected member or beneficiary under (b)
28 of this section, the commissioner of administration [BOARD] may waive an
29 adjustment or any portion of an adjustment made under AS 39.35.520 if, in the
30 opinion of the commissioner of administration [BOARD],

31 (1) the adjustment or portion of the adjustment will cause undue

1 hardship to the member or beneficiary;

2 (2) [REPEALED.

3 (3) REPEALED.

4 (4)] the adjustment was not the result of erroneous information
5 supplied by the member or beneficiary;

6 (3) [(5)] before the adjustment was made, the member or beneficiary
7 received confirmation from the administrator that the employee's or beneficiary's
8 records were correct; and

9 (4) [(6)] the member or beneficiary had no reasonable grounds to
10 believe the employee's or beneficiary's records were incorrect before the adjustment
11 was made.

12 * Sec. 111. AS 39.35.522(b) is amended to read:

13 (b) In order to obtain consideration of a waiver under this section, the affected
14 member or beneficiary must file a request with the commissioner of administration
15 [APPEAL TO THE BOARD] in writing within 30 days after receipt of notice that the
16 records have been adjusted.

17 * Sec. 112. AS 39.35.522(c) is repealed and reenacted to read:

18 (c) A ruling of the commissioner of administration to deny a waiver under (b)
19 of this section may be appealed to the office of administrative hearings established
20 under AS 44.64.

21 * Sec. 113. AS 39.35.522(d) is amended to read:

22 (d) The office of administrative hearings [BOARD] may reverse the
23 commissioner of administration's decision to deny a waiver and may impose
24 conditions on the granting of a waiver that the office [WHICH IT] considers
25 equitable. These conditions may include requiring the member or beneficiary to make
26 additional contributions to the plan [SYSTEM].

27 * Sec. 114. AS 39.35.680(2) is amended to read:

28 (2) "actuarial adjustment" means the adjustment necessary to obtain
29 equality in value of the aggregate expected payments under two different forms of
30 pension payments, considering expected mortality and interest earnings on the basis of
31 assumptions, factors, and methods specified in regulations issued under this plan

1 [SYSTEM] that are formally adopted [UNDER AS 39.35.042] by the board that
2 clearly preclude employer discretion in the determination of the amount of any
3 member's benefit;

4 * Sec. 115. AS 39.35.680(6) is amended to read:

5 (6) "board" means the Alaska Retirement Management [PUBLIC
6 EMPLOYEES RETIREMENT] Board;

7 * Sec. 116. AS 39.35.680(21) is amended to read:

8 (21) "member" or "employee"

9 (A) means a person eligible to participate in the system and
10 who is covered by the system;

11 (B) includes

12 (i) an active member;

13 (ii) an inactive member;

14 (iii) a vested member;

15 (iv) a deferred vested member;

16 (v) a nonvested member;

17 (vi) a disabled member;

18 (vii) a retired member;

19 (viii) an elected public officer under AS 39.35.381;

20 (C) does not include

21 (i) former members;

22 (ii) persons compensated on a contractual or fee basis;

23 (iii) casual or emergency workers or nonpermanent
24 employees as defined in AS 39.25.200;

25 (iv) persons covered by the Alaska Teachers'
26 Retirement System except as provided under AS 39.35.131 and
27 39.35.381, or persons covered by a [THE OPTIONAL] university
28 retirement program;

29 (v) employees of the division of marine transportation
30 engaged in operating the state ferry system who are covered by a union
31 or group retirement system to which the state makes contributions;

1 (vi) justices of the supreme court or judges of the court
2 of appeals or of the superior or district courts of Alaska;

3 (vii) the administrative director of courts appointed
4 under art. IV, sec. 16 of the state constitution unless the director
5 becomes a member under AS 39.35.158;

6 (viii) members of the elected public officers' retirement
7 system (former AS 39.37); and

8 (ix) contractual employees of the legislative branch of
9 state government under AS 24.10.060(f);

10 (D) may include employees of the division of marine
11 transportation excluded under (C)(v) of this paragraph provided that

12 (i) the State of Alaska formally agrees to their inclusion
13 through the process of collective bargaining; and

14 (ii) no collective bargaining agreement has the effect of
15 obligating contributions made by the state under AS 39.30.150 in the
16 event the state resumes participation in the federal social security
17 system;

18 * Sec. 117. AS 39.35.680(34) is amended to read:

19 (34) "qualified domestic relations order" means a divorce or
20 dissolution judgment under AS 25.24, including an order approving a property
21 settlement, that

22 (A) creates or recognizes the existence of an alternate payee's
23 right to, or assigns to an alternate payee the right to, receive all or a portion of
24 employee contribution account or the benefits payable with respect to an
25 employee;

26 (B) sets out the name and last known mailing address, if any, of
27 the employee and of each alternate payee covered by the order;

28 (C) sets out the amount or percentage of the employee's benefit,
29 or of any survivor's benefit, to be paid to the alternate payee, or sets out the
30 manner in which that amount or percentage is to be determined;

31 (D) sets out the number of payments or period to which the

1 order applies;

2 (E) sets out the retirement plan [SYSTEM] to which the order
3 applies;

4 (F) does not require any type or form of benefit or any option
5 not otherwise provided by AS 39.35.095 - 39.35.680 [THIS CHAPTER];

6 (G) does not require an increase of benefits in excess of the
7 amount provided by AS 39.35.095 - 39.35.680 [THIS CHAPTER], determined
8 on the basis of actuarial value; and

9 (H) does not require the payment to an alternate payee of
10 benefits that are required to be paid to another alternate payee under another
11 order previously determined to be a qualified domestic relations order;

12 * Sec. 118. AS 39.35.680 is amended by adding new paragraphs to read:

13 (41) "commissioner" means the commissioner of administration;

14 (42) "plan" means the retirement plan established in AS 39.35.095 -
15 39.35.680.

16 * Sec. 119. AS 39.35 is amended by adding new sections to read:

17 **Article 9. Employees First Hired on or after July 1, 2005.**

18 **Sec. 39.35.700. Applicability of AS 39.35.700 - 39.35.990.** The provisions of
19 AS 39.35.700 - 39.35.990 apply only to members first hired on or after July 1, 2005 or
20 to members who transfer into the defined contribution plan under AS 39.35.940.

21 **Sec. 39.35.710. Defined contribution retirement plan established; federal**
22 **qualification requirements.** (a) A defined contribution retirement plan is established
23 for employees of the state or a political subdivision or public organization of the state.

24 (b) The defined contribution retirement plan is a plan in which savings are
25 accumulated in an individual retirement account for the exclusive benefit of the
26 member or beneficiaries. The plan is established effective July 1, 2005, at which time
27 contributions by employers and members begin.

28 (c) The retirement plan established by AS 39.35.700 - 39.35.990 is intended to
29 qualify under 26 U.S.C. 401(a) and 414(d) (Internal Revenue Code) as a qualified
30 retirement plan established and maintained by the state for its employees, for the
31 employees of political subdivisions, public corporations, and public organizations of

1 the state, and for the employees of other employers whose participation is authorized
2 by AS 39.35.700 - 39.35.990 and who participate in the plan set out in AS 39.35.700 -
3 39.35.990.

4 (d) An amendment to AS 39.35.700 - 39.35.990 does not provide a person
5 with a vested right to a benefit if the Internal Revenue Service determines that the
6 amendment will result in disqualification of the plan under the Internal Revenue Code.

7 **Sec. 39.35.720. Membership.** An employee who becomes a member on or
8 after July 1, 2005, shall participate in the plan set out in AS 39.35.700 - 39.35.990.

9 **Sec. 39.35.730. Contributions by members.** (a) Each member shall
10 contribute to the member's individual account an amount equal to eight percent of the
11 member's compensation from July 1 to the following June 30.

12 (b) Subject to the limitations on contributions under AS 39.35.780, a member
13 may elect to make additional contributions to the member's individual account.

14 (c) The employer shall deduct the contribution from the member's
15 compensation at the end of each payroll period, and the contribution shall be credited
16 by the plan to the member's individual account. The contributions shall be deducted
17 from member's compensation before the computation of applicable federal taxes and
18 shall be treated as employer contributions under 26 U.S.C. 414(h)(2). A member may
19 not have the option of making the payroll deduction directly in cash instead of having
20 the contribution picked up by the employer.

21 **Sec. 39.35.740. Employment contributions mandatory.** Contributions of
22 employees shall be made by payroll deductions. Every included employee shall be
23 considered to consent to payroll deductions. It is of no consequence that a payroll
24 deduction may cause the compensation paid in cash to an employee to be reduced
25 below the minimum required by law. Payment of an employee's compensation, less
26 payroll deductions, is a full and complete discharge and satisfaction of all claims and
27 demands by the employee relating to remuneration of services during the period
28 covered by the payment, except with respect to the benefits provided under the plan.

29 **Sec. 39.35.750. Contributions by employers.** (a) An employer shall
30 contribute to each member's individual account an amount equal to 4.5 percent of the
31 member's compensation from July 1 to the following June 30.

1 (b) An employer shall also contribute an amount equal to 1.75 percent of each
2 member's compensation from July 1 to the following June 30 to pay for retiree major
3 medical insurance. This contribution shall be paid into the group health and life
4 benefits fund established by the commissioner of administration under AS 39.30.095
5 and shall be accounted for in accordance with regulations established by the
6 commissioner.

7 (c) An employer shall also make contributions to the health reimbursement
8 arrangement plan under AS 39.30.300.

9 **Sec. 39.35.760. Rollover contributions and distributions.** (a) An employee
10 entering the plan may elect, at the time and in the manner prescribed by the
11 administrator, to have all or part of a direct rollover distribution from an eligible
12 retirement plan owned by the member paid directly into the member's individual
13 account.

14 (b) Rollover contributions do not count as a purchase of membership service
15 for the purpose of determining years of service.

16 (c) A distributee may elect, at the time and in the manner prescribed by the
17 administrator, to have all or part of an eligible rollover distribution paid directly to an
18 eligible retirement plan specified by the distributee in the direct rollover.

19 (d) In this section,

20 (1) "direct rollover" means the payment of an eligible rollover
21 distribution by the plan to an eligible retirement plan specified by a distributee who is
22 eligible to elect a direct rollover;

23 (2) "distributee" means a member, or a beneficiary who is the
24 surviving spouse of the member, or an alternate payee;

25 (3) "eligible retirement plan" means

26 (A) a conduit individual retirement account described in 26
27 U.S.C. 408(d)(3)(A);

28 (B) an annuity plan described in 26 U.S.C. 403(a);

29 (C) a qualified trust described in 26 U.S.C. 401(a);

30 (D) an annuity plan described in 26 U.S.C. 403(b); or

31 (E) a governmental plan described in 26 U.S.C. 457(b);

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(4) "eligible rollover distribution" means a distribution of all or part of a total account to a distributee, except for

(A) a distribution that is one of a series of substantially equal installments payable not less frequently than annually over the life expectancy of the distributee or the joint and last survivor life expectancy of the distributee and the distributee's designated beneficiary, as defined in 26 U.S.C. 401(a)(9);

(B) a distribution that is one of a series of substantially equal installments payable not less frequently than annually over a specified period of 10 years or more;

(C) a distribution that is required under 26 U.S.C. 401(a)(9);

(D) the portion of any distribution that is not includable in gross income;

(E) a distribution that is on account of hardship; and

(F) other distributions that are reasonably expected to total less than \$200 during a year.

Sec. 39.35.770. Transmittal of contributions. All contributions deducted in accordance with AS 39.35.700 - 39.35.990 shall be transmitted to the plan for deposit in the trust fund as soon as administratively feasible, but in no event later than 15 days following the close of the payroll period.

Sec. 39.35.780. Limitations on contributions. Notwithstanding any other provisions of this plan, the annual additions to each member's individual account under this plan and under all defined contribution plans of the employer required to be aggregated with the contributions from this plan under the provisions of 26 U.S.C. 415 may not exceed, for any limitation year, the amount permitted under 26 U.S.C. 415 at any time. If the amount of a member's defined contribution plan contributions exceeds the limitation of 26 U.S.C. 415(c) for any limitation year, the administrator shall take any necessary remedial action to correct an excess contribution. The provisions of 26 U.S.C. 415, and the regulations adopted under that statute, as applied to qualified defined contribution plans of governmental employees are incorporated as part of the terms and conditions of the plan.

Sec. 39.35.790. Vesting. (a) A participating member is immediately and

1 fully vested in that member's contributions and related earnings.

2 (b) A member shall be fully vested in the employer contributions made on that
3 member's behalf, and related earnings, after five years of service. A member is
4 partially vested in the employer contributions made on that member's behalf, and the
5 related earnings, in the ratio of

6 (1) 25 percent with two years of service;

7 (2) 50 percent with three years of service; and

8 (3) 75 percent with four years of service.

9 **Sec. 39.35.800. Investment of individual accounts.** (a) The board shall
10 provide a range of investment options and permit a participant to exercise investment
11 control over the participant's assets in the member's individual account as provided in
12 this section. If a participant exercises control over the assets in the individual account,
13 the participant is not considered a fiduciary for any reason on the basis of exercising
14 that control.

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

17 (c) A participant may elect to change or transfer all or a portion of the
18 participant's existing account balance among available investment funds not more
19 often than once each day in accordance with the rules established by the administrator.
20 Only the last election received by the administrator before the transmittal of
21 contributions to the trust fund for allocation to the individual account shall be used to
22 direct the investment of the contributions received.

23 (d) Except to the extent clearly set out in the terms of the investment plans
24 offered by the employer to the employee, the employer is not liable to the participant
25 for investment losses if the prudent investment standard has been met.

26 (e) The employer, administrator, state, board, or a person or entity who is
27 otherwise a fiduciary is not liable by reason for any participant's investment loss that
28 results from the participant's directing the investment of plan assets allocated to the
29 participant's account.

30 (f) To the extent that a member's individual account has been divided as
31 provided in a qualified domestic relations order between participants, each participant

1 shall be treated as the holder of a separate individual account for purposes of
2 investment yields, decisions, transfers, and time limitations imposed by this section.

3 Sec. 39.35.810. Distribution election at termination. (a) A member is
4 eligible to elect distribution of the member's account in accordance with this section
5 60 days after termination of employment.

6 (b) Notwithstanding (a) of this section, distribution of all or a portion of the
7 individual account of a member may take place before the 60th day after the
8 termination of employment with the approval of the administrator if the member
9 makes a written request for a distribution under this subsection. The member's spouse
10 must consent to the request in writing if the member is married. Distribution of an
11 individual account may only be made on account of an immediate and heavy financial
12 need of the member for the following reasons and in the amount the need is
13 demonstrated for

14 (1) medical care described in 26 U.S.C. 213(d) incurred by the
15 member, the member's spouse, or the member's dependent, or necessary to obtain that
16 medical care;

17 (2) the purchase of a principal residence for the member;

18 (3) postsecondary education tuition and related educational fees for the
19 next 12-month period for the member, the member's spouse, or a dependent of the
20 member; in this paragraph, "dependent" has the meaning given in 26 U.S.C. 152;

21 (4) prevention of the eviction of the member from the member's
22 principal residence or foreclosure on the mortgage of the member's principal
23 residence; or

24 (5) any need prescribed by the United States Department of the
25 Treasury, Internal Revenue Service, in a revenue ruling, notice, or other document of
26 general applicability that satisfies the safe harbor definition of hardship under
27 regulations adopted under 26 U.S.C. 401(k).

28 (c) If a member dies before benefits commence, the member's beneficiary is
29 immediately eligible to elect distribution of the member's share of the member's
30 individual account.

31 (d) Distributions are payable to an alternate payee in accordance with the

1 terms and conditions of a qualified domestic relations order that is received and
2 approved by the administrator as specified in AS 39.35.860.

3 (e) Distributions that are being paid to a member may not be affected by the
4 member's subsequent reemployment with the employer. Upon reemployment, a new
5 individual account shall be established for the member to which any future
6 contributions shall be allocated. Upon subsequent termination of employment, the
7 member's new individual account shall be distributed in accordance with this section.

8 **Sec. 39.35.820. Forms of distribution.** (a) A participant may elect to receive
9 the participant's share of the individual account in a

10 (1) lump sum payment, which is a single payment of the entire balance
11 in the account;

12 (2) periodic lump sum payment, which is a payment of a portion of the
13 balance in the account, not more than twice each year;

14 (3) period certain annuity payment, which is an annuity payable in a
15 fixed number of monthly installments for a duration of 60, 120, or 180 months;

16 (4) life annuity with a period certain payment, which is an annuity
17 payable until the later of the first day of the month in which the annuitant's death
18 occurs, or the date on which the payment of a fixed number of monthly installments is
19 completed; the period certain for installments is 120 or 180 months;

20 (5) single life annuity payment, which is an annuity payable monthly
21 until the first of the month in which the annuitant's death occurs; or

22 (6) joint and survivor annuity payment, which is an annuity payable
23 monthly to the member until the first of the month in which the member's death
24 occurs; after the member's death, a survivor annuity equal to 50 percent or 100 percent
25 of the member's benefit, as previously elected by the member, shall be paid monthly to
26 the joint annuitant for the remainder of the survivor's lifetime.

27 (b) Upon the death of an annuitant whose payments have commenced, an
28 annuitant's beneficiary shall receive further payments only to the extent provided in
29 accordance with the form of payment that was being made to the annuitant. The
30 remaining portion of the interest shall continue to be distributed at least as rapidly as
31 under the method of distribution being used before the annuitant's death.

1 (c) If a participant dies before the distribution commencement date,
2 distribution of the participant's entire interest to a beneficiary shall be payable in any
3 form other than a joint and survivor annuity.

4 (d) If an unmarried member or other participant fails to elect a form of
5 payment before the distribution commencement date, the account shall be paid to a
6 beneficiary in the form of a lump sum to the extent required by the minimum
7 distribution requirements set out in the Internal Revenue Code. If a married member
8 fails to elect a form of payment before the distribution commencement date, the
9 account shall be paid in the form of a 50 percent joint and survivor annuity, with the
10 member's spouse as the joint annuitant.

11 **Sec. 39.35.830. Manner of electing distributions.** (a) Any election or any
12 alteration or revocation of a prior election by a participant for any purpose under this
13 plan shall be on forms or made in a manner prescribed for that purpose by the plan
14 administrator. To be effective, the forms required or the required action for any
15 purpose under this plan must be completed and received in accordance with
16 regulations adopted by the commissioner of administration.

17 (b) At any time, but not less than seven days before the benefit
18 commencement date, a member, alternate payee, or beneficiary may change

- 19 (1) the form of payment election;
20 (2) an election to commence benefits; or
21 (3) the joint annuitant designation.

22 (c) Changes in elections are not allowed on or after seven days before the
23 benefit commencement date.

24 **Sec. 39.35.840. Distribution requirements.** (a) Payments to a participant
25 shall commence as soon as administratively feasible following the distribution
26 commencement date. The distribution commencement date is the first date on which
27 one of the following occurs:

28 (1) a member meets the requirements of AS 39.35.810 and has made a
29 complete application for payment under AS 39.35.830;

30 (2) a participant has elected to defer receipt of the account to a date
31 specified, the date has been attained, and the participant has made a complete

1 application for payment;

2 (3) a member attains normal retirement age and has not made an
3 application for payment or elected to defer receipt of the account to a date later than
4 normal retirement age;

5 (4) a member's beneficiary does not make an application for benefits
6 and five years have elapsed since the member's death;

7 (5) notwithstanding (a) of this section, a participant whose account has
8 a balance of \$1,000 or less meets the requirements of AS 39.35.810, at which time the
9 participant must take payment of the participant's account.

10 (b) The entire interest of a member must be distributed or must begin to be
11 distributed not later than the member's required beginning date.

12 (c) If a member dies after the distribution of the member's interest has begun
13 but before the distribution has been completed, the remaining portion of the interest
14 shall continue to be distributed at least as rapidly as under the method of distribution
15 being used before the member's death.

16 (d) If a member has made a distribution election and dies before the
17 distribution of the member's interest begins, distribution of the member's entire interest
18 shall be completed by December 31 of the calendar year containing the fifth
19 anniversary of the member's death. However, if any portion of the member's interest
20 is payable to a designated beneficiary, distributions may be made over the life of the
21 designated beneficiary or over a period certain not greater than the life expectancy of
22 the designated beneficiary, commencing on or before December 31 of the calendar
23 year immediately following the calendar year in which the member died, and, if the
24 designated beneficiary is the member's surviving spouse, the date distributions are
25 required to begin may not be earlier than the later of December 31 of the calendar year
26 (1) immediately following the calendar year in which the member died, or (2) in which
27 the member would have attained 70 1/2 years of age, whichever is earlier. If the
28 surviving spouse dies after the member but before payments to the spouse have begun,
29 the provisions of this subsection apply as if the surviving spouse were the member.
30 An amount paid to a child of the member shall be treated as if it were paid to the
31 surviving spouse if the amount becomes payable to the surviving spouse when the

1 child reaches the age of majority.

2 (e) If a member has not made a distribution election before the member's
3 death, the member's designated beneficiary must elect the method of distribution not
4 later than December 31 of the calendar year (1) in which distributions would be
5 required to begin under this section, or (2) that contains the fifth anniversary of the
6 date of death of the member, whichever is earlier. If the member does not have a
7 designated beneficiary or if the designated beneficiary does not elect a method of
8 distribution, distribution of the member's entire interest must be completed by
9 December 31 of the calendar year containing the fifth anniversary of the member's
10 death.

11 (f) For purposes of (b) of this section, distribution of a member's interest is
12 considered to begin (1) on the member's required beginning date, or (2) if the
13 designated beneficiary is the member's surviving spouse and the surviving spouse dies
14 after the member but before payments to the spouse have begun, on the date
15 distribution is required to begin to the surviving spouse. If distribution in the form of
16 an annuity irrevocably commences to the member before the required beginning date,
17 the date distribution is considered to begin is the date that the distribution actually
18 commences.

19 (g) Notwithstanding any contrary provisions of AS 39.35.700 - 39.35.990, the
20 requirements of this section apply to all distributions of a member's interest and take
21 precedence over any inconsistent provisions of AS 39.35.700 - 39.35.990.

22 (h) All distributions required under this section are determined and made in
23 accordance with 26 U.S.C. 401(a)(9) and regulations adopted under that statute,
24 including any minimum distribution incidental benefit requirement.

25 (i) In this section,

26 (1) "designated beneficiary" means the individual who is designated as
27 the beneficiary under the plan in accordance with 26 U.S.C. 401(a)(9) and regulations
28 adopted under that statute;

29 (2) "required beginning date" means the first day of April of the
30 calendar year following the calendar year in which the member either attains 70 1/2
31 years of age or actually terminates employment, whichever is later.

1 Sec. 39.35.850. Designation of beneficiary. (a) Each participant shall have
2 the right to designate a beneficiary and shall have the right, at any time, to revoke the
3 designation or to substitute another beneficiary, subject to the following limitation: if a
4 married member elects a nonspouse beneficiary, the value of the benefit payable to the
5 beneficiary may not exceed 50 percent of the member's portion of the account balance,
6 and the member's spouse shall automatically be considered the beneficiary for the
7 remaining 50 percent of the account balance, unless the spouse consents to the
8 beneficiary designation in a writing that is notarized or witnessed by the administrator.
9 If the spouse consents in this manner, a married member may designate a nonspouse
10 beneficiary for the entire benefit or any portion the benefit as part of an available form
11 of payment contained in this plan,

12 (1) except to the extent a qualified domestic relations order filed with
13 the administrator provides for payment to a former spouse or other dependent of the
14 member; or

15 (2) unless the member filed a revocation of beneficiary accompanied
16 by a written consent to the revocation from the present spouse and each person entitled
17 under the order; however, consent of the present spouse is not required if the member
18 and the present spouse had been married for less than one year on the date of the
19 member's death and if the member established when filing the revocation that the
20 member and the present spouse were not cohabiting.

21 (b) Except as provided in (a) of this section, the member may change or
22 revoke the designation without notice to the beneficiary or beneficiaries at any time.
23 If a member designates more than one beneficiary, each shares equally unless the
24 member specifies a different allocation or preference. The designation of a
25 beneficiary, a change or revocation of a beneficiary, and a consent to revocation of a
26 beneficiary shall be made on a form provided by the administrator and is not effective
27 until filed with the administrator.

28 (c) If a member fails to designate a beneficiary, or if no designated beneficiary
29 survives the member, the death benefit shall be paid

30 (1) to the surviving spouse or, if there is none surviving;

31 (2) to the surviving children of the member in equal parts or, if there

1 are none surviving:

2 (3) to the surviving parents in equal parts or, if there are none
3 surviving;

4 (4) to the estate.

5 (d) A person claiming entitlement to benefits payable under AS 39.35.700 -
6 39.35.990 as a consequence of a member's death shall provide the administrator with a
7 marriage certificate, divorce or dissolution judgment, or other evidence of entitlement.
8 Documents establishing entitlement may be filed with the administrator immediately
9 after a change in the member's marital status. If the administrator does not receive
10 notification of a claim before the date 10 days after the member's death, the person
11 claiming entitlement is not entitled to receive from the division of retirement and
12 benefits any benefit already paid by the administrator.

13 **Sec. 39.35.860. Rights under qualified domestic relations order.** (a)
14 Notwithstanding the nonalienation provisions in AS 39.35.900(a), the plan
15 administrator may direct that benefits be paid to someone other than a member or
16 beneficiary under a valid qualified domestic relations order that is executed by the
17 judge of a competent court in accordance with applicable state law and that has been
18 accepted by the administrator.

19 (b) The administrator shall determine whether an order meets the requirements
20 of this section within a reasonable period after receiving an order. The administrator
21 shall notify the member and any alternate payee that an order has been received and
22 indicate to the member and any alternate payee when the order is accepted. A separate
23 account for the alternate payee portion shall be established as soon as administratively
24 feasible after the order has been accepted by the administrator.

25 **Sec. 39.35.870. Eligibility to elect medical benefits.** (a) A member is
26 eligible to elect the medical benefits under AS 39.35.880 if the member

27 (1) has at least 25 years of service as a peace officer or fire fighter or at
28 least 30 years of service for all other employees; or

29 (2) is 65 years of age and has at least 10 years of service.

30 (b) A member's surviving spouse is eligible to elect medical benefits under
31 AS 39.35.880 if the member had elected, or was eligible to elect medical benefits at

1 the time of the member's death.

2 (c) Members shall elect or reject medical benefits on the forms and in the
3 manner prescribed by the administrator. The decision to elect or reject benefits is
4 irrevocable.

5 (d) Electing the retiree major medical insurance plan is not required in
6 order to elect participation in the health reimbursement arrangement.

7 (e) A person eligible to elect medical benefits is not required to participate in
8 the health reimbursement arrangement in order to elect participation in the retiree
9 major medical insurance plan.

10 (f) An eligible person must make the irrevocable election to participate or not
11 participate in the retiree major medical insurance by reaching 70 1/2 years of age, or
12 upon termination of employment, whichever is later.

13 **Sec. 39.35.880. Medical benefits.** (a) The medical benefits available to
14 eligible persons are access to the retiree major medical insurance plan and to the
15 health reimbursement arrangement under AS 39.30.300. Access to the retiree major
16 medical insurance plan means that an eligible person may not be denied insurance
17 coverage except for failure to pay the required premium.

18 (b) Retiree major medical insurance plan coverage elected by an eligible
19 member under this section covers the eligible member, the spouse of the eligible
20 member, and the dependent children of the eligible member.

21 (c) Retiree major medical insurance plan coverage elected by a surviving
22 spouse of an eligible member under this section covers the surviving spouse and the
23 dependent children of the eligible member who are dependent on the surviving spouse.

24 (d) Major medical insurance coverage takes effect on the first day of the
25 month following the date of the administrator's approval of the election and stops
26 when the person who elects coverage dies or fails to make a required premium
27 payment.

28 (e) The coverage for persons 65 years of age or older is the same as that
29 available for persons under 65 years of age. The benefits payable to those persons 65
30 years of age or older supplement any benefits provided under the federal old age,
31 survivors and disability insurance program.

1 (f) The medical and optional insurance premiums owed by the person who
2 elects coverage may be deducted from the health reimbursement arrangement. If the
3 amount of the health reimbursement arrangement becomes insufficient to pay the
4 premiums, the person who elects coverage under (a) of this section shall pay the
5 premiums directly.

6 (g) The cost of premiums for retiree major medical insurance coverage for an
7 eligible member or surviving spouse who is

8 (1) not eligible for Medicare is an amount equal to the full monthly
9 group premiums for retiree major medical insurance coverage;

10 (2) eligible for Medicare is the following percentage of the premium
11 amounts established for retirees who are eligible for Medicare:

12 (A) 30 percent if the member had 10 or more, but less than 15,
13 years of service;

14 (B) 25 percent if the member had 15 or more, but less than 20,
15 years of service;

16 (C) 20 percent if the member had 20 or more, but less than 25,
17 years of service;

18 (D) 15 percent if the member had 25 or more, but less than 30,
19 years of service;

20 (E) 10 percent if the member had 30 or more years of service.

21 (h) The eligibility for retiree major medical insurance coverage for an
22 alternate payee under a qualified domestic relations order shall be determined based
23 on the eligibility of the member to elect coverage. The alternate payee shall pay the
24 full monthly premium for retiree major medical insurance coverage.

25 (i) A person who is entitled to retiree major medical insurance coverage shall

26 (1) be informed by the administrator in writing

27 (A) that the health insurance coverage available to retired
28 members may be different from the health insurance coverage provided to
29 employees;

30 (B) of time limits for selecting optional health insurance
31 coverage and whether the election is irrevocable; and

1 (2) indicate in writing on a form provided by the administrator that the
2 person has received the information required by this subsection and whether the
3 person has chosen to receive optional health insurance coverage.

4 (j) The monthly group premiums for retiree major medical insurance coverage
5 are established by the administrator in accordance with AS 39.30.095. Nothing in
6 AS 39.35.700 - 39.35.990 guarantees a person who elects coverage under (a) of this
7 section a monthly group premium rate for retiree major medical insurance coverage
8 other than the premium in effect for the month in which the premium is due for
9 coverage for that month.

10 (k) In this section, "health reimbursement arrangement" means the plan
11 established in AS 39.30.300.

12 **Sec. 39.35.890. Amendment and termination of plan.** (a) The state has the
13 right to amend the plan at any time and from time to time, in whole or in part,
14 including the right to make retroactive amendments referred to in 26 U.S.C. 401(b).

15 (b) The plan administrator may not modify or amend the plan retroactively in
16 such a manner as to reduce the benefits of any member accrued to date under the plan
17 by reason of contributions made before the modification or amendment except to the
18 extent that the reduction is permitted by the Internal Revenue Code.

19 (c) The state may, in its discretion, terminate the plan in whole or part at any
20 time without liability for the termination. If the plan is terminated, all investments
21 remain in force until all individual accounts have been completely distributed under
22 the plan, and, after all plan liabilities are satisfied, excess assets revert to the employer.

23 (d) Any contribution made by an employer to the plan because of a mistake of
24 fact must be returned to the employer by the administrator within one year after the
25 contribution or discovery, whichever is later.

26 **Sec. 39.35.900. Exclusive benefit; refunds; credits of unvested amounts.**

27 (a) The corpus or income of the assets held in trust as required by the plan may not be
28 diverted or used for other than the exclusive benefit of the participants.

29 (b) Notwithstanding (a) of this section, employer contributions to employee
30 individual accounts, and any related earnings, in which terminated employees have not
31 vested shall be credited back to the employer that made the contributions.

1 (c) If plan benefits are provided through the distribution of annuity or
2 insurance contracts, any refunds or credits in excess of plan benefits due to dividends,
3 earnings, or other experience rating credits, or surrender or cancellation credits, shall
4 be paid to the trust fund.

5 (d) The assets of the plan may not be used to pay premiums or contributions of
6 the employer under another plan maintained by the employer.

7 **Sec. 39.35.910. Nonguarantee of returns, rates, or benefit amounts.** The
8 plan created by AS 39.35.700 - 39.35.990 is a defined contribution plan, not a defined
9 benefit plan. The amount of money in the account of a participant depends on the
10 amount of contributions and the rate of return from investments of the account that
11 varies over time. If benefits are paid in the form of an annuity, the benefit amount
12 payable is dependent on the amount of money in the account and the interest rates
13 applied and service fees charged by the annuity payor at the time benefits are first
14 paid. Nothing in this plan guarantees a participant

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

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

20 **Sec. 39.35.920. Nonguarantee of employment.** The provisions of
21 AS 39.35.700 - 39.35.990 are not a contract of employment between an employer and
22 an employee, nor do they confer a right of an employee to be continued in the
23 employment of an employer, nor are they a limitation of the right of an employer to
24 discharge an employee with or without cause.

25 **Sec. 39.35.930. Fraud.** A person who knowingly makes a false statement or
26 falsifies or permits to be falsified a record of this plan in an attempt to defraud the plan
27 is guilty of a class A misdemeanor.

28 **Sec. 39.35.940. Transfer into defined contribution plan by nonvested**
29 **members of defined benefit plan.** (a) Subject to (g) of this section, an active
30 member of the defined benefit retirement plan of the public employees' retirement
31 system is eligible to participate in the defined contribution retirement plan established

1 under AS 39.35.700 - 39.35.990, if that member has not vested. Participation in the
2 defined contribution retirement plan is in lieu of participation in the defined benefit
3 retirement plan established under AS 39.35.095 - 39.35.680.

4 (b) A member who has vested in a defined benefit retirement plan is not
5 eligible to transfer under this section.

6 (c) Each eligible member who elects to participate in the defined contribution
7 retirement plan shall have transferred to a new account the present value of the
8 member contribution account balance held in trust for the member under the defined
9 benefit retirement plan of the public employees' retirement system. A matching
10 employer contribution shall be made on behalf of that employee to the new account.
11 Upon a transfer, all service credit previously earned under the defined benefit
12 retirement plan shall be nullified for purposes of entitlement to a future benefit under
13 the defined benefit retirement plan but shall be credited for purposes of eligibility to
14 elect medical benefits under AS 39.35.870. An eligible member whose accounts are
15 subject to a qualified domestic relations order may not make an election to participate
16 in the defined contribution retirement plan under this subsection unless the qualified
17 domestic relations order is amended or vacated and court-certified copies of the order
18 are received by the administrator.

19 (d) As directed by the participant, the board shall transfer or cause to be
20 transferred the appropriate amounts to the designated account. The board shall
21 establish transfer procedures by regulation, but the actual transfer may not be later
22 than 30 days after the effective date of the member's participation in the defined
23 contribution retirement plan unless the major financial markets for securities available
24 for a transfer are seriously disrupted by an unforeseen event that also causes the
25 suspension of trading on any national securities exchange in the country where the
26 securities were issued. In that event, the 30-day period of time may be extended by a
27 resolution of the board of trustees. Transfers are not commissionable or subject to
28 other fees and may be in the form of securities or cash as determined by the board.
29 Securities shall be valued as of the date of receipt in the participant's account.

30 (e) If the board or the administrator receives notification from the United
31 States Department of the Treasury, Internal Revenue Service, that this section or a

1 portion of this section will cause the retirement system under this chapter, or a portion
2 of the retirement system under this chapter, to be disqualified for tax purposes under
3 the Internal Revenue Code, the portion that will cause the disqualification does not
4 apply, and the board and the administrator shall notify the presiding officers of the
5 legislature.

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

24 (g) A member may make an election under this section only if the member's
25 employer participates in both the defined benefits retirement plan and the defined
26 contribution retirement plan and consents to transfers under this section. The
27 employer shall notify the administrator if the employer consents to allowing the
28 employer's members to choose to transfer from the defined benefits retirement plan to
29 the defined contribution retirement plan under this section. An employer's notice to
30 allow transfers is irrevocable and applicable to all eligible employees of the employer.

31 (h) In this section,

1 (1) "defined benefit retirement plan" means the retirement plan
2 established in AS 39.35.095 - 39.35.680:

3 (2) "defined contribution retirement plan" means the retirement plan
4 established in AS 39.35.700 - 39.35.990.

5 **Sec. 39.35.950. Request by political subdivision to participate and**
6 **adoption of resolution.** A municipality or other political subdivision of the state may
7 request to become an employer in this plan. The request shall be made after adoption
8 of a resolution by the legislative body of the political subdivision and after approval of
9 the resolution by the person required by law to approve the resolution. A certified
10 copy of the resolution shall be filed with the administrator. If the administrator
11 approves the request for participation, the political subdivision is an employer of the
12 plan.

13 **Sec. 39.35.955. Request by public organization to participate and**
14 **adoption of resolution.** A public organization may request to become an employer in
15 this plan. The request shall be made after adoption of a resolution by the governing
16 body of the public organization. A certified copy of the resolution shall be filed with
17 the administrator. If the administrator approves the request for participation, the
18 public organization is an employer of the plan.

19 **Sec. 39.35.960. Membership in teachers' and public employees'**
20 **retirement systems.** A person who is employed at least half-time in the public
21 employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990) during the
22 same period that the person is employed at least half-time in a position in the teachers'
23 defined contribution retirement plan (AS 14.25.310 - 14.25.590) shall receive credited
24 service under each plan for half-time employment. However, the amount of credited
25 service a person receives under the public employees' defined contribution retirement
26 plan during a school year may not exceed the amount necessary, when added to the
27 amount of credited service earned during the school year under the teachers' defined
28 contribution retirement plan, to equal one year of credited service.

29 **Sec. 39.35.965. Army and air national guard employees.** A regular full-
30 time civilian employee of the Alaska Army National Guard and Air National Guard
31 whose entire salary is paid from allotted federal funds is included in the public

1 employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990) if the
2 federal or state government pays the employer's contributions. If the amount that the
3 federal government may legally contribute to the plan is lower than the required
4 employer's contribution, the state government shall contribute the difference. If the
5 employer's contributions are not paid when due, service credit for the period of
6 delinquency may not be granted until the contributions are paid.

7 **Sec. 39.35.970. North Pacific Fishery Management Council employees.**
8 An employee of the North Pacific Fishery Management Council appointed under 16
9 U.S.C. 1852(f)(1) (Sec. 302(f)(1) of P.L. 94-265) whose compensation is paid from
10 allotted federal funds is included in the public employees' defined contribution
11 retirement plan (AS 39.35.700 - 39.35.990) if the council pays the employer's
12 contributions. If the employer's contributions are not paid when due, credited service
13 for the period of delinquency may not be granted until the contributions are paid.

14 **Sec. 39.35.990. Definitions.** In AS 39.35.700 - 39.35.990, unless the context
15 requires otherwise,

16 (1) "administrator" means the commissioner of administration or the
17 commissioner's designee;

18 (2) "alternate payee" means the person for whom an amount has been
19 separated into an account under a qualified domestic relations order;

20 (3) "annuitant" means a member, beneficiary, or alternate payee who is
21 receiving a benefit under this plan;

22 (4) "beneficiary" means the person or persons entitled under the
23 provisions of this plan to receive benefits after the death of a member or alternate
24 payee;

25 (5) "board" has the meaning given in AS 39.35.680;

26 (6) "calendar year" has the meaning given in AS 39.35.680;

27 (7) "compensation"

28 (A) means

29 (i) the total remuneration earned by an employee for
30 personal services rendered, including cost-of-living differentials, as
31 reported on the employee's Federal Income Tax Withholding Statement

1 (Form W-2) from the employer for the calendar year;

2 (ii) the member contribution to the public employees'
3 retirement system under AS 39.35.730, employee deferrals under
4 AS 39.45.010, the wage reduction amount contributed to the Alaska
5 Supplemental Annuity Plan under AS 39.30.150(a), and the wage
6 reduction amount contributed to the Alaska Supplemental Benefit Plan
7 under AS 39.30.150(c), as those statutes may be amended from time to
8 time;

9 (B) does not include retirement benefits, severance pay or other
10 separation bonuses, welfare benefits, per diem, expense allowances, workers'
11 compensation payments, payments for leave not used whether those leave
12 payments are scheduled payments, lump-sum payments, donations, or cash-ins,
13 any remuneration contributed by the employer for or on account of the
14 employee under this plan or under any other qualified or nonqualified
15 employee benefit plan, any remuneration not specifically included above
16 which would have been excluded under 26 U.S.C. 3121(a) (Internal Revenue
17 Code) if the employer had remained in the Federal Social Security System, or
18 any remuneration paid by the employer in excess of the Social Security
19 Taxable Wage Base for the calendar year;

20 (C) notwithstanding (B) of this paragraph, includes any amount
21 that is contributed by the employer under a salary reduction agreement and that
22 is not includible in the gross income of the employee under 26 U.S.C. 125,
23 132(f)(4), 402(c)(3), 402(h)(1)(B) or 403(b) (Internal Revenue Code); the
24 annual compensation limitation for the member, which is so taken into account
25 for those purposes, may not exceed \$200,000, as adjusted for the cost of living
26 in accordance with 26 U.S.C. 401(a)(17)(B) (Internal Revenue Code), with the
27 limitation for a fiscal year being the limitation in effect for the calendar year
28 within which the fiscal year begins;

29 (8) "dependent child" has the meaning given in AS 39.35.680;

30 (9) "distribution commencement date" has the meaning given in
31 AS 39.35.840(a);

- 1 (10) "employer" means
2 (A) the State of Alaska; or
3 (B) a political subdivision or public organization of the state
4 that participates in the plan;
- 5 (11) "fund" means the assets of the plan;
- 6 (12) "individual account" means the total maintained by the plan in an
7 investment account within the trust fund, established for each member for the purposes
8 of allocation of the member's contributions, the employer's contributions on behalf of
9 the member, and earnings credited to each of those contributions, investment gains
10 and losses, and expenses; as well as reporting of the member's benefit under the plan;
- 11 (13) "Internal Revenue Code" means the Internal Revenue Code of
12 1986, as amended;
- 13 (14) "investment funds" means those separate funds that are provided
14 within and that make up the trust fund and that are established for the purpose of
15 directing investment through the exercise of the sole control of a member, beneficiary,
16 or alternate payee under the terms of the plan and trust agreement;
- 17 (15) "limitation year" means the year for which contributions are made
18 to a member's individual account as reported to the Internal Revenue Service and as
19 meets the limits described in 26 U.S.C. 415(c);
- 20 (16) "member" means an employee of an employer or former
21 employee of an employer who retains a right to benefits under the plan;
- 22 (17) "membership service" means full-time or part-time employment
23 with an employer in the plan;
- 24 (18) "normal retirement age" means 65 years of age;
- 25 (19) "participant" means the person who has a vested right to an
26 individual account, such as a member, an alternate payee if the account is subject to a
27 qualified domestic relations order, the member's beneficiary if the member is
28 deceased, or an alternate payee's beneficiary if the alternate payee is deceased;
- 29 (20) "peace officer" or "fire fighter" has the meaning given in
30 AS 39.35.680;
- 31 (21) "plan" means the retirement plan established in AS 39.35.700 -

1 39.35.990;

2 (22) "prudent investment standard" means the degree of care, skill,
3 prudence, and diligence under the circumstances then prevailing that a prudent person
4 acting in a like capacity and familiar with such matters would use in the conduct of an
5 enterprise of a like character and with like aims;

6 (23) "qualified domestic relations order" means a divorce or
7 dissolution judgment under AS 25.24, including an order approving a property
8 settlement, that

9 (A) creates or recognizes the existence of an alternate payee's
10 right to, or assigns to an alternate payee the right to, receive all or a portion of
11 an individual account or the benefits payable with respect to a member;

12 (B) sets out the name and last known mailing address, if any, of
13 the member and of each alternate payee covered by the order;

14 (C) sets out the amount or percentage of the member's benefit,
15 or of any survivor's benefit, to be paid to the alternate payee, or sets out the
16 manner in which that amount or percentage is to be determined;

17 (D) sets out the number of payments or period to which the
18 order applies;

19 (E) sets out the retirement plan to which the order applies;

20 (F) does not require any type or form of benefit or any option
21 not otherwise provided by AS 39.35.700 - 39.35.990;

22 (G) does not require an increase of benefits in excess of the
23 amount provided by AS 39.35.700 - 39.35.990; and

24 (H) does not require the payment to an alternate payee of
25 benefits that are required to be paid to another alternate payee under another
26 order previously determined to be a qualified domestic relations order;

27 (24) "retiree" means an eligible person who has elected to receive
28 medical benefits under AS 39.35.880;

29 (25) "surviving spouse" means the spouse of an employee who has
30 been married to the employee for at least one year at the time of the employee's death;

31 (26) "system" has the meaning given in AS 39.35.680;

1 (27) "year of service" means the equivalent of 52 weeks of permanent
2 full-time employment, which may consist of a combination of permanent full-time or
3 permanent part-time membership service; in this paragraph, "permanent full-time" and
4 "permanent part-time" have the meanings given in AS 39.35.680.

5 * Sec. 120. AS 39.45.030(a) is amended to read:

6 (a) The Alaska Retirement Management [STATE PENSION
7 INVESTMENT] Board is authorized, subject to contracts with individual employees,
8 to invest the funds held under a deferred compensation program. The board has the
9 same powers and duties concerning the management and investment in regard to those
10 funds as are provided under AS 37.10.220 [AS 14.25.180].

11 * Sec. 121. AS 39.45.030(g) is amended to read:

12 (g) In this section, "board" means the Alaska Retirement Management
13 [STATE PENSION INVESTMENT] Board.

14 * Sec. 122. AS 39.45.060 is amended by adding a new paragraph to read:

15 (2) "board" means the trustees of the Alaska Retirement Management
16 Board established under AS 37.10.210.

17 * Sec. 123. AS 39.50.200(a)(9) is amended to read:

18 (9) "public official" means
19 (A) judicial officer;
20 (B) the governor or the lieutenant governor;
21 (C) a person hired or appointed in a department in the
22 executive branch as
23 (i) the head or deputy head of the department;
24 (ii) the director or deputy director of a division;
25 (iii) a special assistant to the head of the department;
26 (iv) a person serving as the legislative liaison for the
27 department;
28 (D) an assistant to the governor or the lieutenant governor;
29 (E) the chair or a member of a state commission or board
30 [OTHER THAN PHYSICIAN MEMBERS OR ALTERNATES OF THE
31 ALASKA TEACHERS' RETIREMENT BOARD APPOINTED UNDER

1 AS 14.25.035(a)(2) OR OF THE PUBLIC EMPLOYEES' RETIREMENT
2 BOARD APPOINTED UNDER AS 39.35.030(d);]

3 (F) state investment officers and the state comptroller in the
4 Department of Revenue;

5 (G) [REPEALED

6 (H)] the chief procurement officer appointed under
7 AS 36.30.010;

8 (I) [(I)] the executive director of the Alaska Workforce
9 Investment Board; and

10 (J) [(J)] each appointed or elected municipal officer;

11 * Sec. 124. AS 39.50.200(b)(54) is amended to read:

12 (54) Alaska Retirement Management [STATE PENSION
13 INVESTMENT] Board (AS 37.10.210);

14 * Sec. 125. AS 44.25.020(2) is amended to read:

15 (2) collect, account for, have custody of, invest, and manage all state
16 funds and all revenues of the state except revenues incidental to a program of licensing
17 and regulation carried on by another state department, funds managed and invested by
18 the Alaska Retirement Management [STATE PENSION INVESTMENT] Board,
19 and as otherwise provided by law;

20 * Sec. 126. AS 44.25.028(a) is amended to read:

21 (a) The commissioner of revenue may designate employees of the Department
22 of Revenue who are subject to the provisions of AS 39.50 because of their
23 responsibility for participating in the management or investment of the funds for
24 which the Alaska Retirement Management [STATE PENSION INVESTMENT]
25 Board is responsible.

26 * Sec. 127. AS 44.25.028(b) is amended to read:

27 (b) If an officer or employee of the Department of Revenue with responsibility
28 for funds for which the Alaska Retirement Management [STATE PENSION
29 INVESTMENT] Board is responsible acquires, owns, or controls an interest, direct or
30 indirect, in an entity or project in which assets under the control of the board are
31 invested, the officer or employee shall immediately disclose the interest to the board.

1 The disclosure is a matter of public record and shall be included in the minutes of the
2 board meeting next following the disclosure. The commissioner shall adopt
3 regulations to restrict officers and employees of the department from having a
4 substantial interest in an entity or project in which assets under the control of the board
5 are invested.

6 * Sec. 128. AS 44.64.030(a) is amended by adding new paragraphs to read:

7 (36) AS 14.25.006 (teachers' retirement system);

8 (37) AS 39.35.006 (public employees' retirement system).

9 * Sec. 129. AS 14.25.012(a), 14.25.015, 14.25.020, 14.25.022, 14.25.030, 14.25.035,
10 14.25.037, 14.25.170, 14.25.175(e), 14.25.180, 14.25.190, 14.25.220(41); AS 39.30.175(f);
11 AS 39.35.010, 39.35.011, 39.35.020, 39.35.030, 39.35.040, 39.35.042, 39.35.047, 39.35.060,
12 39.35.080, 39.35.090, 39.35.522(e); AS 39.45.025; AS 39.50.200(b)(23), and
13 39.50.200(b)(29) are repealed.

14 * Sec. 130. AS 14.25.061(c), 14.25.062; and AS 39.35.350 are repealed.

15 * Sec. 131. The uncodified law of the State of Alaska is amended by adding a new section
16 to read:

17 TRANSITION: INITIAL STAGGERED TERMS OF TRUSTEES OF THE
18 ALASKA RETIREMENT MANAGEMENT BOARD. Notwithstanding AS 37.10.210(c), as
19 repealed and reenacted by sec. 56 of this Act, the terms of the initially appointed trustees of
20 the Alaska Retirement Management Board who are not commissioners shall be set by the
21 governor to achieve staggered terms in the manner provided for nine-member boards by
22 AS 39.05.055(7).

23 * Sec. 132. The uncodified law of the State of Alaska is amended by adding a new section
24 to read:

25 TERMS OF MEMBERS OF THE ALASKA TEACHERS' RETIREMENT BOARD,
26 AND THE PUBLIC EMPLOYEES' RETIREMENT BOARD. The terms of all board
27 members appointed to the Alaska Teachers' Retirement Board, and the Public Employees'
28 Retirement Board expire on the effective date of this section.

29 * Sec. 133. The uncodified law of the State of Alaska is amended by adding a new section
30 to read:

31 TERMS OF MEMBERS OF THE ALASKA STATE PENSION INVESTMENT

1 BOARD. The terms of all board members appointed to the Alaska State Pension Investment
2 Board expire on September 30, 2005.

3 * Sec. 134. The uncodified law of the State of Alaska is amended by adding a new section
4 to read:

5 TRANSITION OF DUTIES BETWEEN ALASKA STATE PENSION
6 INVESTMENT BOARD AND THE ALASKA RETIREMENT MANAGEMENT BOARD.

7 (a) After the effective date of this section and until September 30, 2005, the Alaska State
8 Pension Investment Board shall continue to exercise the powers and duties assigned in this
9 Act to the Alaska Retirement Management Board. The Alaska State Pension Investment
10 Board shall take actions to facilitate the transition of duties formerly assigned to the Alaska
11 State Pension Investment Board to the duties assigned in this Act to the Alaska Retirement
12 Management Board. A member of the Alaska Retirement Management Board appointed to
13 serve as a trustee before September 30, 2005, shall be invited to observe and train with the
14 Alaska State Pension Investment Board.

15 (b) The Alaska Retirement Management Board may not assume the duties and
16 responsibilities assigned to the Alaska Retirement Management Board in this Act until
17 October 1, 2005.

18 * Sec. 135. The uncodified law of the State of Alaska is amended by adding a new section
19 to read:

20 TRANSITION. Hearings and other proceedings pending under a law amended or
21 repealed by this Act or in connection with functions transferred by this Act continue in effect
22 and may be continued and completed notwithstanding a transfer or amendment or repeal
23 provided for in this Act. Orders and regulations issued or adopted under authority of a law
24 amended or repealed by this Act remain in effect for the term issued, or until revoked,
25 vacated, or otherwise modified under the provisions of this Act. Contracts, rights, liabilities,
26 and obligations created by or under a law amended or repealed by this Act, and in effect on
27 the effective date of this section, remain in effect notwithstanding this Act's taking effect.
28 Records, equipment, appropriations, funds, and other property of boards or agencies of the
29 state whose functions are transferred under this Act shall be transferred to implement the
30 provisions of this Act.

31 * Sec. 136. The uncodified law of the State of Alaska is amended by adding a new section

1 to read:

2 TRANSITION: REGULATIONS. (a) The Department of Administration and the
3 Department of Revenue may proceed to develop and adopt regulations required to implement
4 this Act.

5 (b) Regulations adopted by the Department of Administration and the Department of
6 Revenue under this Act relate to the internal management of a state agency, and the adoption
7 of the regulations is not subject to AS 44.62 (Administrative Procedure Act).

8 * Sec. 137. The uncodified law of the State of Alaska is amended by adding a new section
9 to read:

10 REPORT TO THE LEGISLATURE BY ALASKA RETIREMENT MANAGEMENT
11 BOARD. It is the intent of the legislature that there will be a moratorium after the effective
12 date of this Act on legislation affecting all public employees' retirement plans until the Alaska
13 Retirement Management Board can present a report to the legislature containing the board's
14 assessment and recommendations as provided in this section. The Alaska Retirement
15 Management Board shall report to the legislature 120 days after all members are appointed to
16 the board, or 15 days after the first day of the first regular legislative session following the
17 effective date of this section, whichever is first. The report must include the board's

18 (1) preliminary assessment of the financial health of all public employees'
19 retirement plans and all teachers' retirement plans;

20 (2) assessment of the actuarial services purchased by the board;

21 (3) recommendations for additional legislative or administrative policy to
22 improve the financial health of the retirement plans;

23 (4) short-term and long-term recommendations for addressing the unfunded
24 liability of the retirement plans; and

25 (5) recommendations for legislative procedures regarding fiscal notes for new
26 legislation affecting the retirement plans.

27 * Sec. 138. The uncodified law of the State of Alaska is amended by adding a new section
28 to read:

29 INSTRUCTION REGARDING ALASKA TEACHERS' RETIREMENT SYSTEM
30 BOARD, ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM BOARD, AND
31 ALASKA STATE PENSION INVESTMENT BOARD. Wherever in the Alaska Statutes and

1 the Alaska Administrative Code the terms "Alaska Teachers' Retirement System Board,"
2 "Alaska Public Employees' Retirement System Board," or "Alaska State Pension Investment
3 Board" are used, they shall be read as "Alaska Retirement Management Board" when to do so
4 would be consistent with the changes made by this Act.

5 * Sec. 139. The uncodified law of the State of Alaska is amended by adding a new section
6 to read:

7 SPECIFIC INSTRUCTIONS TO REVISOR OF STATUTES CONCERNING
8 SPECIFIC REFERENCES. (a) The revisor of statutes shall change references to "this
9 chapter" to "AS 14.25.009 - 14.25.220" in the following statutes: AS 14.25.040(b),
10 14.25.040(c), 14.25.045(a), 14.25.047, 14.25.061(a), 14.25.062, 14.25.063(a), 14.25.075(c),
11 14.25.105, 14.25.107, 14.25.110(k), 14.25.142, 14.25.150(b), 14.25.153, 14.25.160(h),
12 14.25.165(f), 14.25.166, 14.25.177, 14.25.195, 14.25.200(b), 14.25.205, and 14.25.210, and
13 in 14.25.220 in each place that the phrase appears.

14 (b) The revisor of statutes shall change the reference to "board" to "administrator" in
15 the following statutes: AS 14.25.075 and 14.25.130(f).

16 (c) The revisor of statutes shall change the reference to "system" to "plan" in the
17 following statutes: AS 14.25.040(b), 14.25.040(c), 14.25.045, 14.25.047, 14.25.050(a),
18 14.25.055, 14.25.060, 14.25.061(a), 14.25.062, 14.25.063(a), 14.25.065, 14.25.075(c),
19 14.25.075(d), 14.25.075(g), 14.25.075(h), 14.25.075(i), 14.25.100(a), 14.25.105(c),
20 14.25.107, 14.25.110, 14.25.125(c), 14.25.143, 14.25.163, 14.25.165(i), 14.25.167(g),
21 14.25.168, 14.25.169, 14.25.173(a), 14.25.173(d), 14.25.181, 14.25.200, 14.25.210,
22 14.25.220(1), 14.25.220(4), 14.25.220(7), 14.25.220(14), 14.25.220(20), 14.25.220(22),
23 14.25.220(23), 14.25.220(31), 14.25.220(34), 14.25.220(36), 14.25.220(37), 14.25.220(42);
24 AS 39.35.120, 39.35.125, 39.35.160, 39.35.165(a), 39.35.165(c), 39.35.165(d), 39.35.165(e),
25 39.35.165(g), 39.35.165(h), 39.35.165(i), 39.35.170, 39.35.180, 39.35.195(b), 39.35.195(c),
26 39.35.280, 39.35.300(c), 39.35.310(a), 39.35.310(c), 39.35.340(a), 39.35.342(a),
27 39.35.342(d), 39.35.345(a), 39.35.345(d), 39.35.360(a), 39.35.360(g), 39.35.360(h),
28 39.35.360(k), 39.35.370(f), 39.35.370(h), 39.35.370(i), 39.35.370(j), 39.35.370(k),
29 39.35.371(i), 39.35.381(b), 39.35.381(g), 39.35.385(c), 39.35.400(c), 39.35.450(g),
30 39.35.475(a), 39.35.475(b), 39.35.475(d), 39.35.500(a), 39.35.505, 39.35.520(a),
31 39.35.520(d), 39.35.527(a), 39.35.527(b), 39.35.530, 39.35.535(a), 39.35.535(d), 39.35.550,

1 39.35.560, 39.35.570, 39.35.580, 39.35.590, 39.35.600, 39.35.610, 39.35.620(a),
2 39.35.620(h), 39.35.650, 39.35.670, 39.35.675(a), 39.35.680(1), 39.35.680(5), 39.35.680(9),
3 39.35.680(12), 39.35.680(15), 39.35.680(16), 39.35.680(17), 39.35.680(20),
4 39.35.680(21)(A), 39.35.680(29), 39.35.680(32), 39.35.680(33), and 39.35.680(35).

5 (d) The revisor of statutes shall change the reference to "board" to "commissioner" in
6 AS 39.35.290.

7 (e) The revisor of statutes shall change references to "this chapter" to "AS 39.35.095 -
8 39.35.680" in the following statutes: AS 39.35.165, 39.35.200, 39.35.300, 39.35.340,
9 39.35.350, 39.35.360, 39.35.370, 39.35.371, 39.35.375, 39.35.381, 39.35.480, 39.35.490,
10 39.35.495, 39.35.505, 39.35.530, 39.35.546, 39.35.547, 39.35.615(c), 39.35.620(c),
11 39.35.660, 39.35.675(b), 39.35.677, and 39.35.680.

12 (f) The revisor of statutes shall renumber AS 39.35.690 to follow AS 39.35.990.

13 * Sec. 140. The uncodified law of the State of Alaska is amended by adding a new section
14 to read:

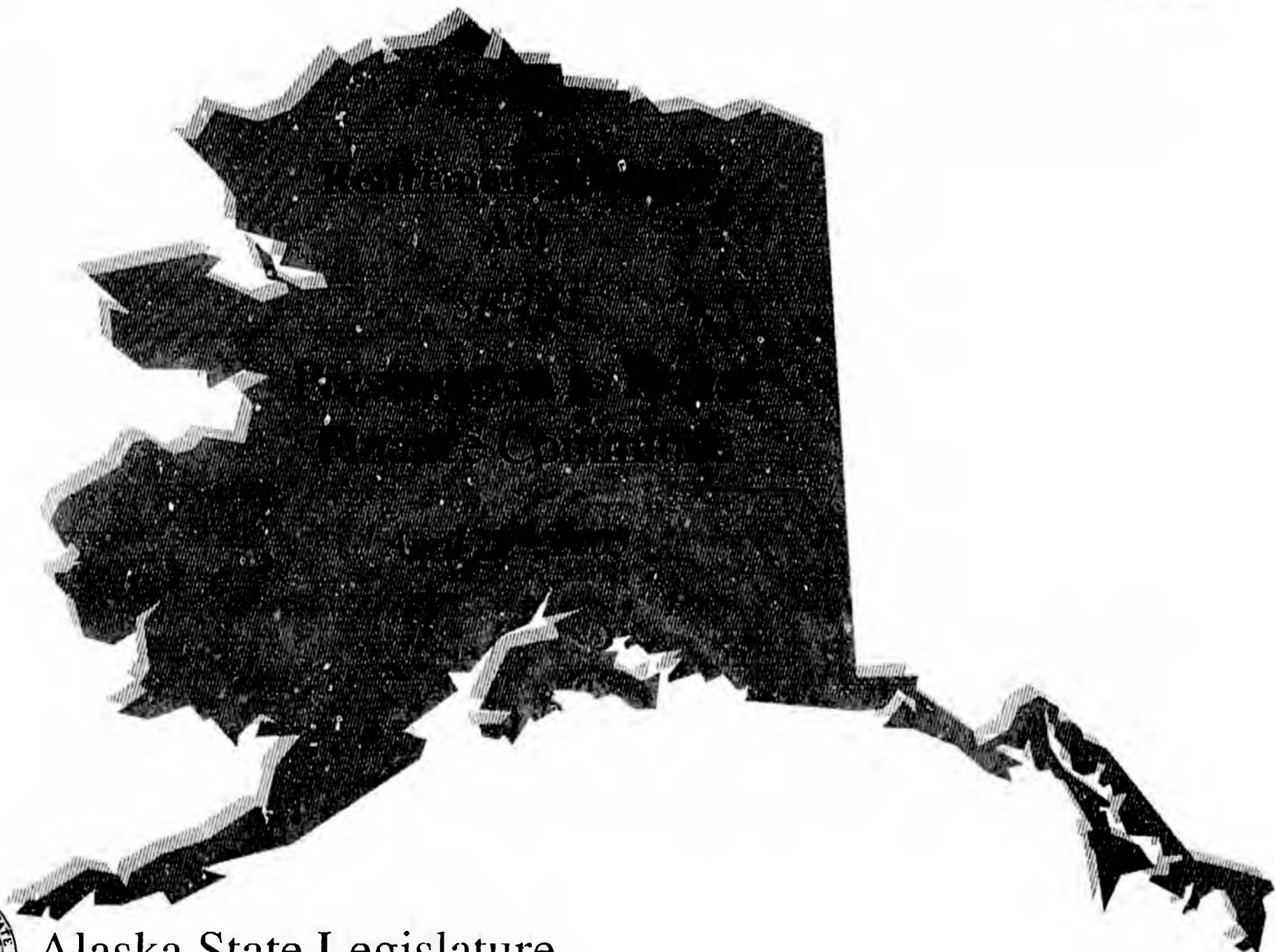
15 IMPLEMENTATION OF SECTIONS 138 AND 139 OF THIS ACT. Under
16 AS 01.05.031, the revisor of statutes shall implement secs. 138 and 139 of this Act in the
17 Alaska Statutes, and, under AS 44.62.125(b)(6), the regulations attorney shall implement secs.
18 138 and 139 of this Act in the administrative code.

19 * Sec. 141. Sections 8, 9, 11, 12, 17, 84 - 89, 101, 108, and 130 of this Act take effect
20 June 30, 2010.

21 * Sec. 142. Section 140 of this Act takes effect immediately under AS 01.10.070(c).

22 * Sec. 143. Except as provided in secs. 141 and 142 of this Act, this Act takes effect July 1,
23 2005.

4-23-05



Alaska State Legislature
Senate Finance Committee



Agenda

- How a retirement system works
- What is the current status of Alaska's system?
- What went wrong?
- Conclusions
- SB 141 Solutions





How a retirement system works





Determine how new monies come into the system



Determine how the money in the system is invested

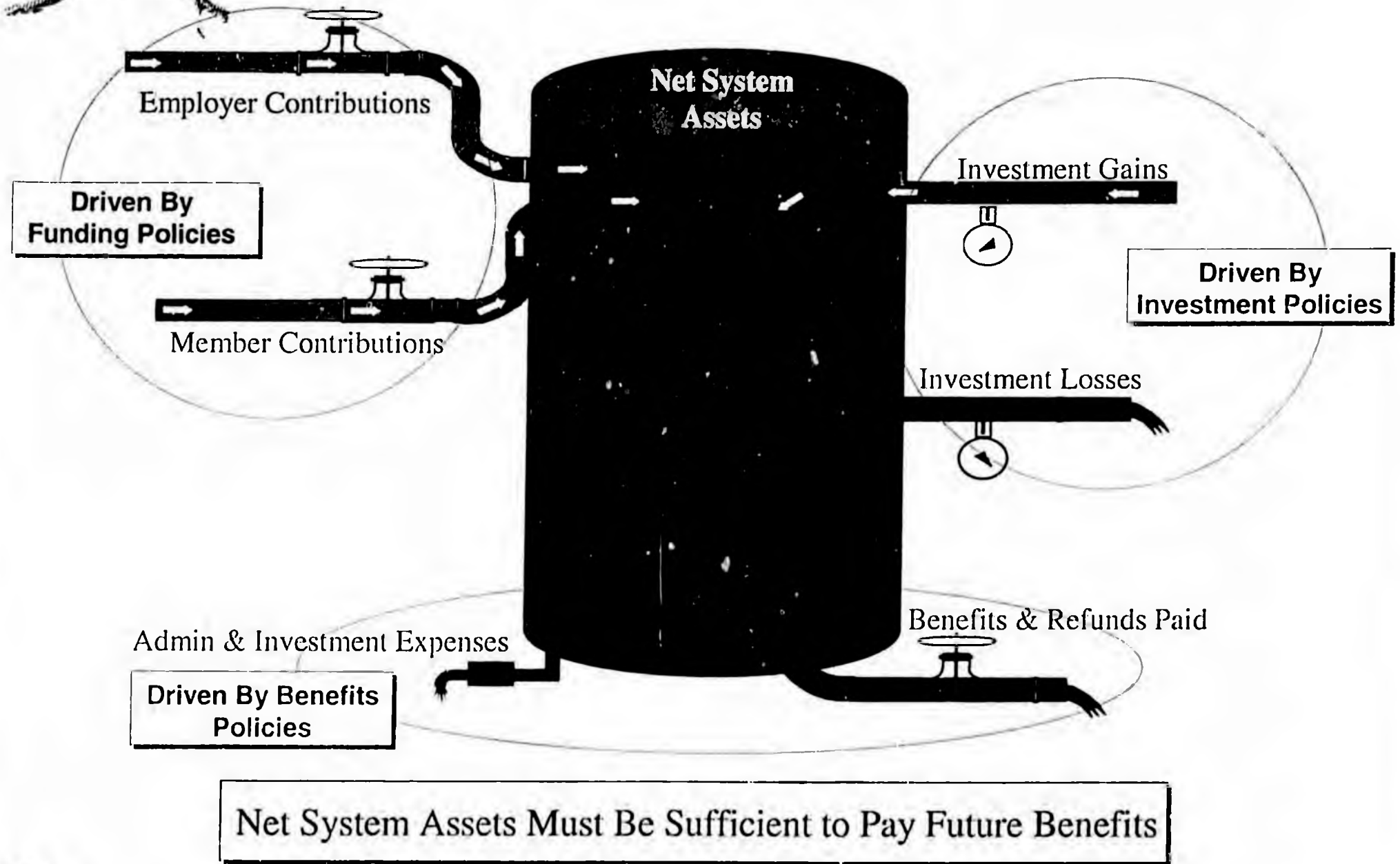
Secure and Sustainable Retirement System



Determine the retirement, medical and death benefits offered to members

All Three System Components Must be Working in Balance

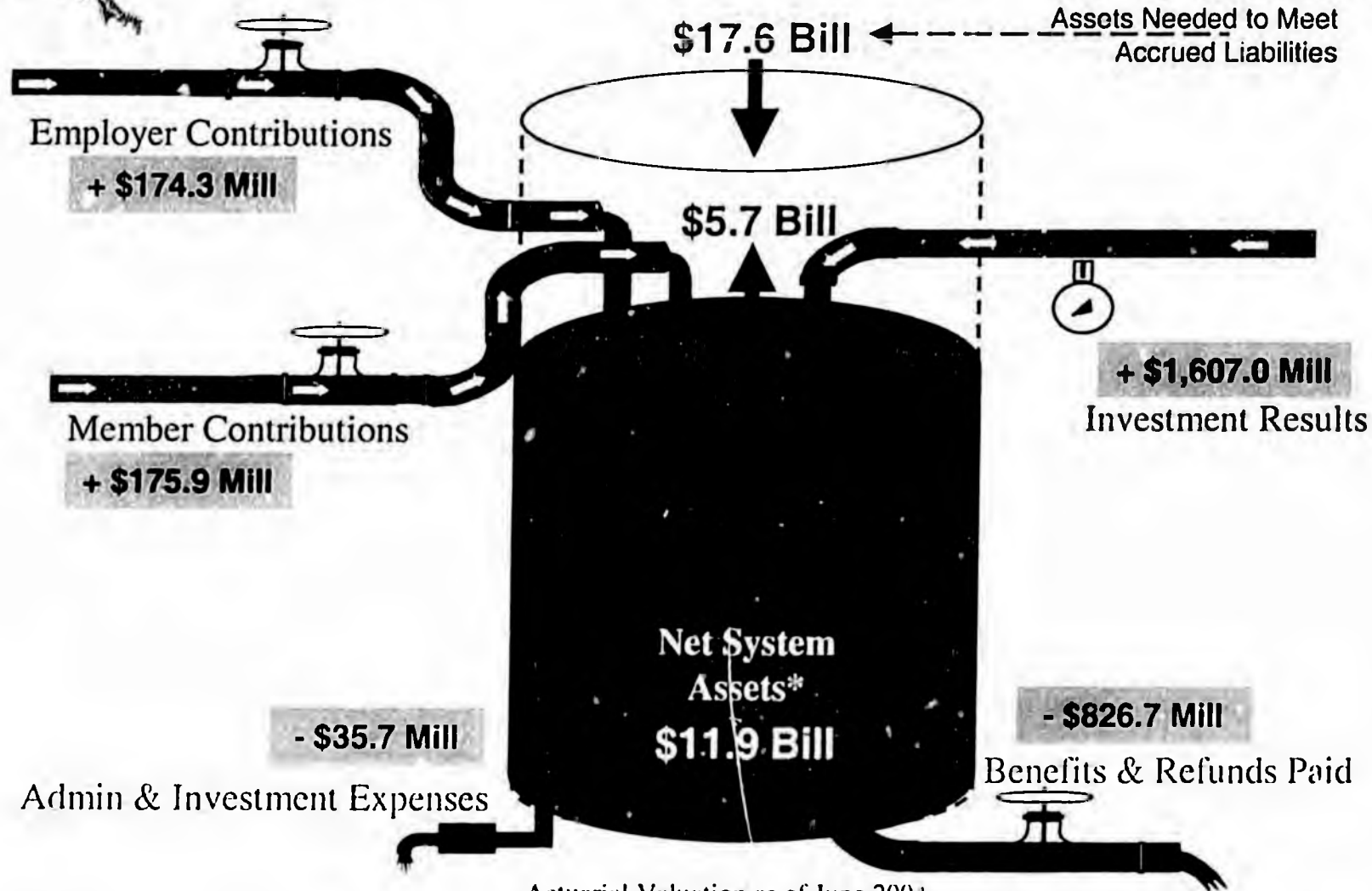






*What is the status of
Alaska's system?*





Actuarial Valuation as of June 2004
annotated with 2004 system cash flows

*Combined PERS & TRS Actuarial Asset Values

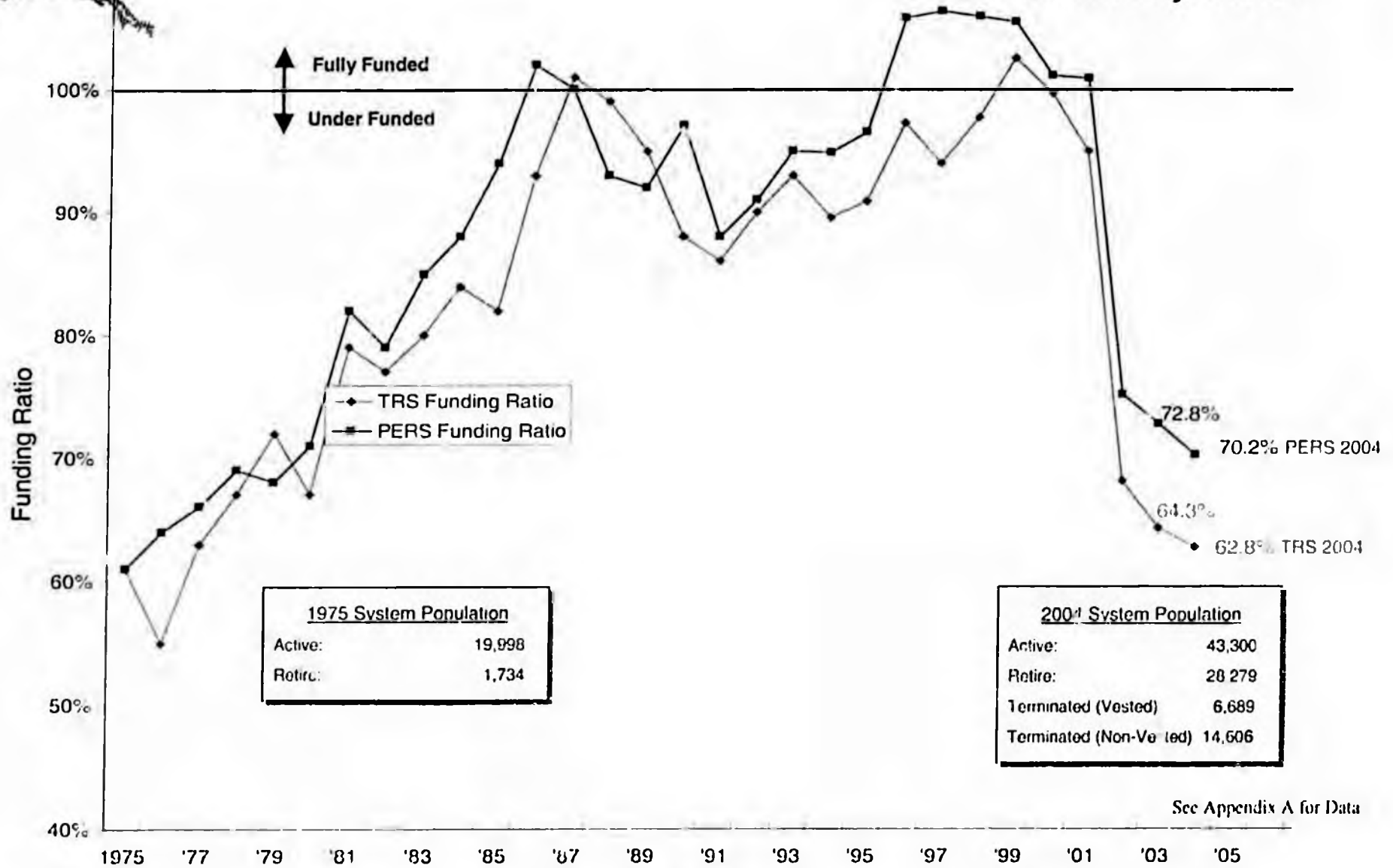
PERS & TRS Have A Combined \$5.7 Billion Unfunded Liability





SB 141- Retirement Security Act

What is the status of Alaska's system?

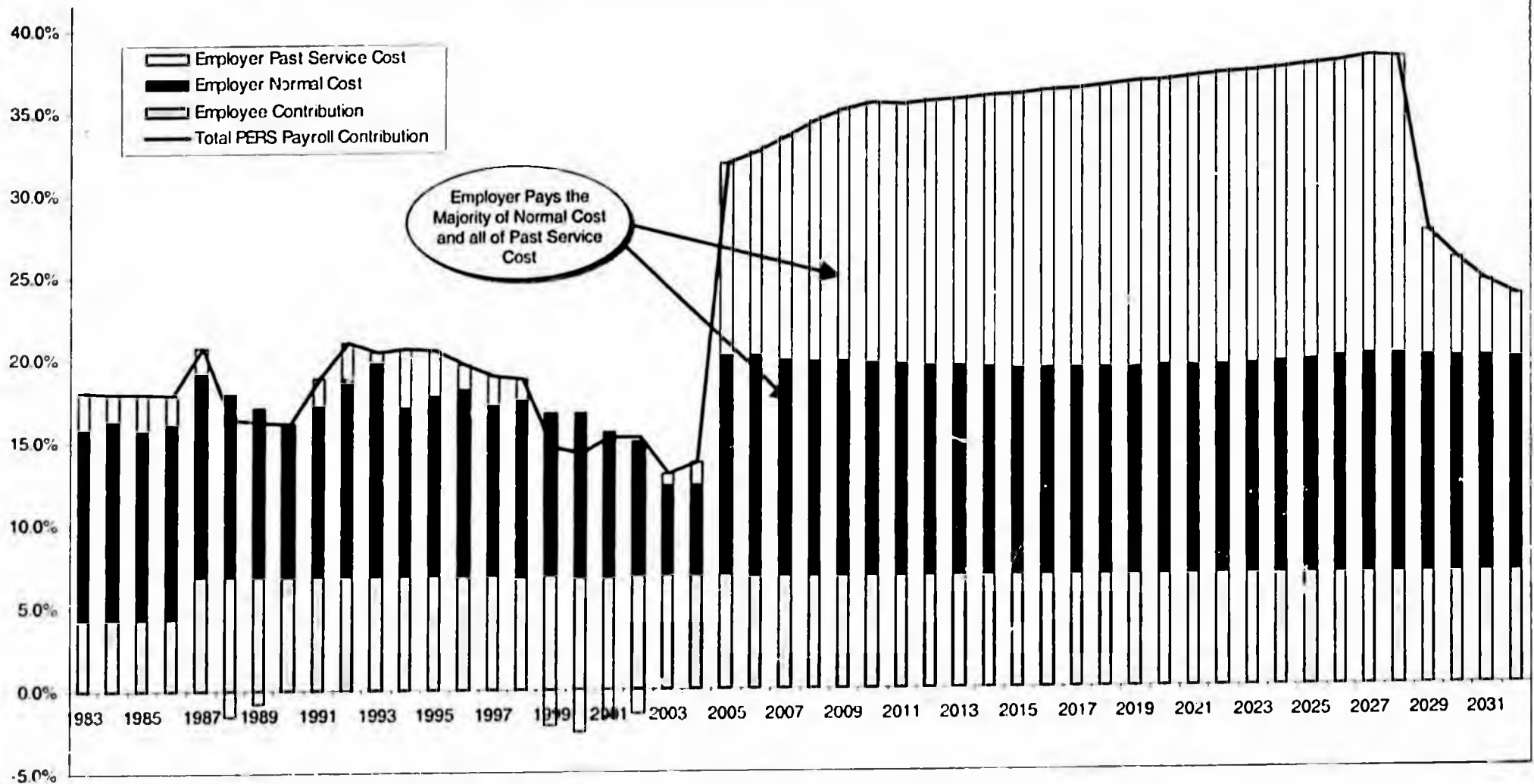


Historical PERS & TRS Funding Ratios





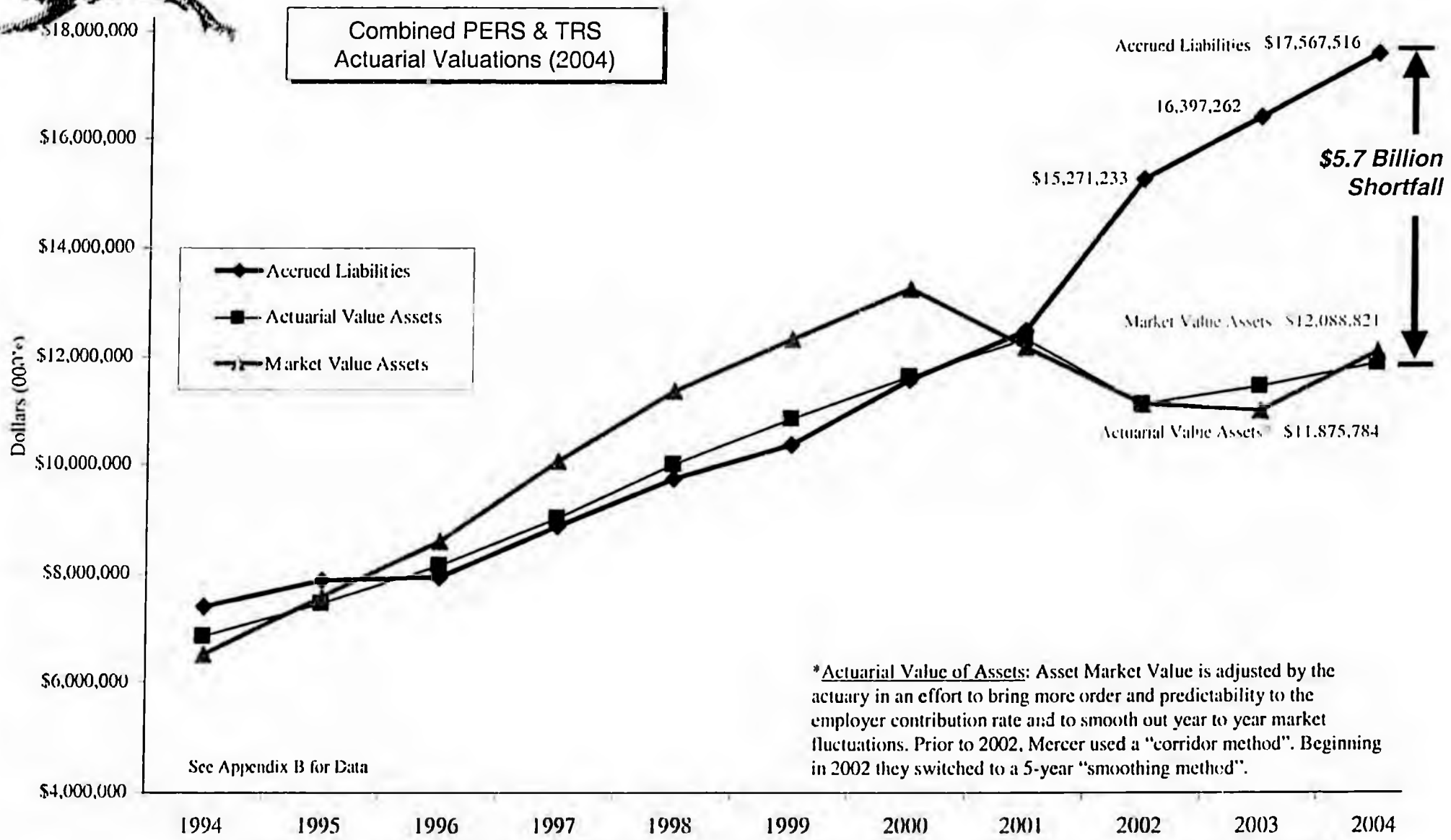
PERS Payroll Contribution Trend & Forecast





What went wrong?



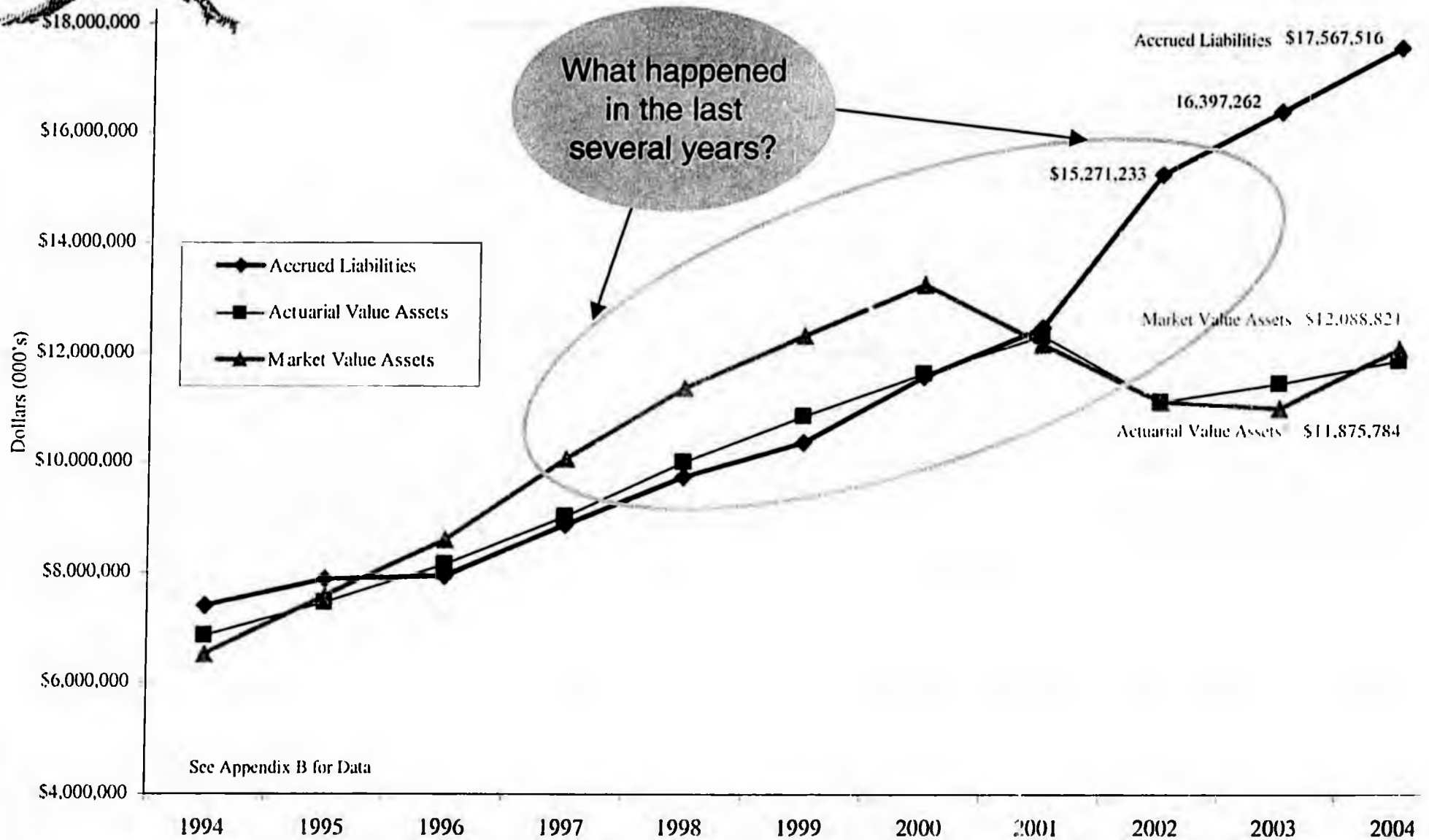


See Appendix B for Data

* Actuarial Value of Assets: Asset Market Value is adjusted by the actuary in an effort to bring more order and predictability to the employer contribution rate and to smooth out year to year market fluctuations. Prior to 2002, Mercer used a "corridor method". Beginning in 2002 they switched to a 5-year "smoothing method".

We Have Been Understating Our Liabilities For the Past Several Years





See Appendix B for Data

Clearly Something Changed Since 2000

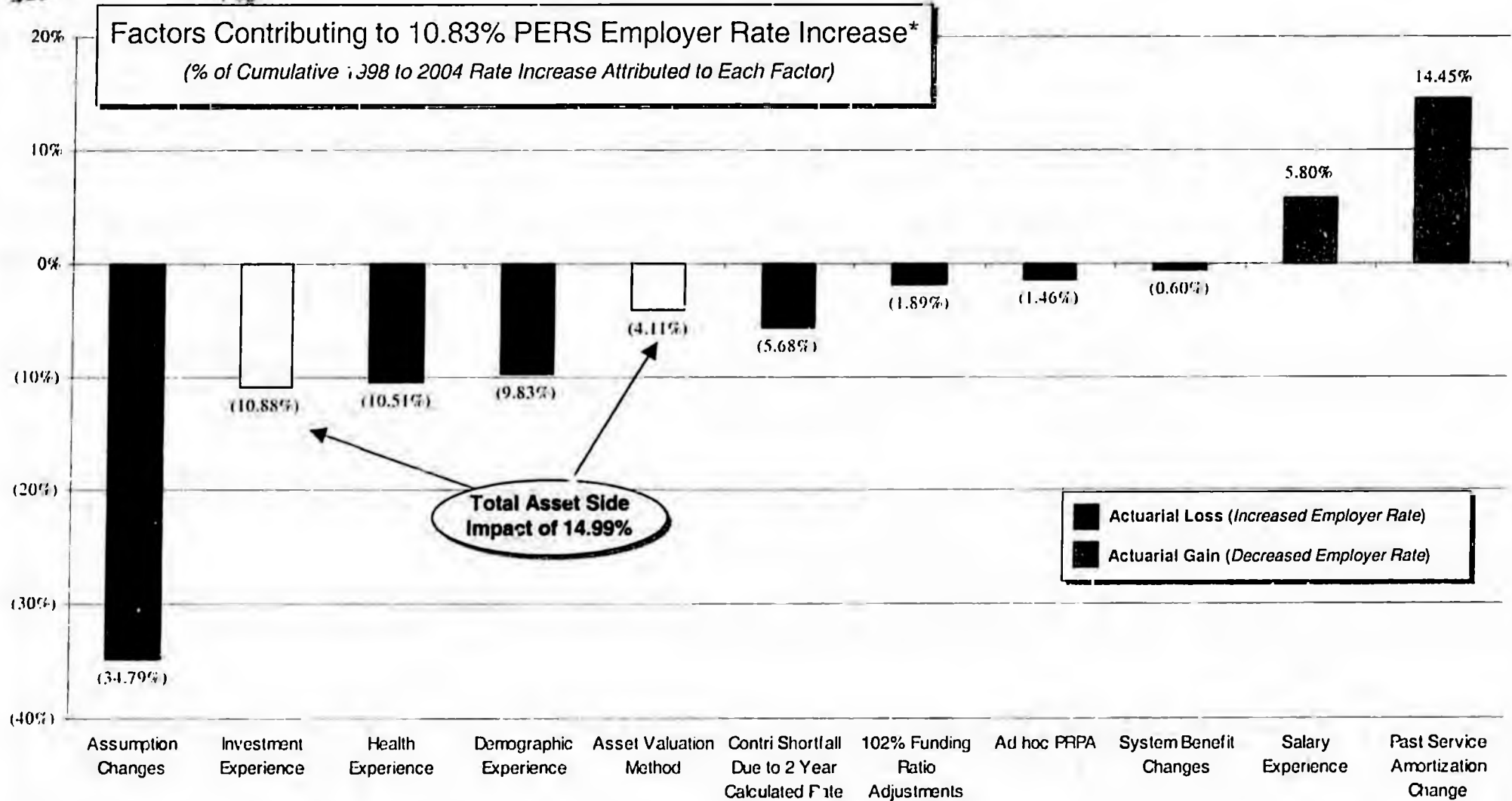




- Inaccurate assumptions
- Historical understatement of system liabilities
- Rising health costs
- 3-yr bear market
- Declining interest rates
- Unfavorable demographic changes
- Timing of the recognition of market losses
- Artificially low contribution rates in good times
- Legislation that has increased benefits
- Awarding of Post Pension Retirement Adjustments

A Combination of Factors Created Our Present Situation





* PERS Employer Rate increased from 7.36% in 1998 to 28.19% in 2004

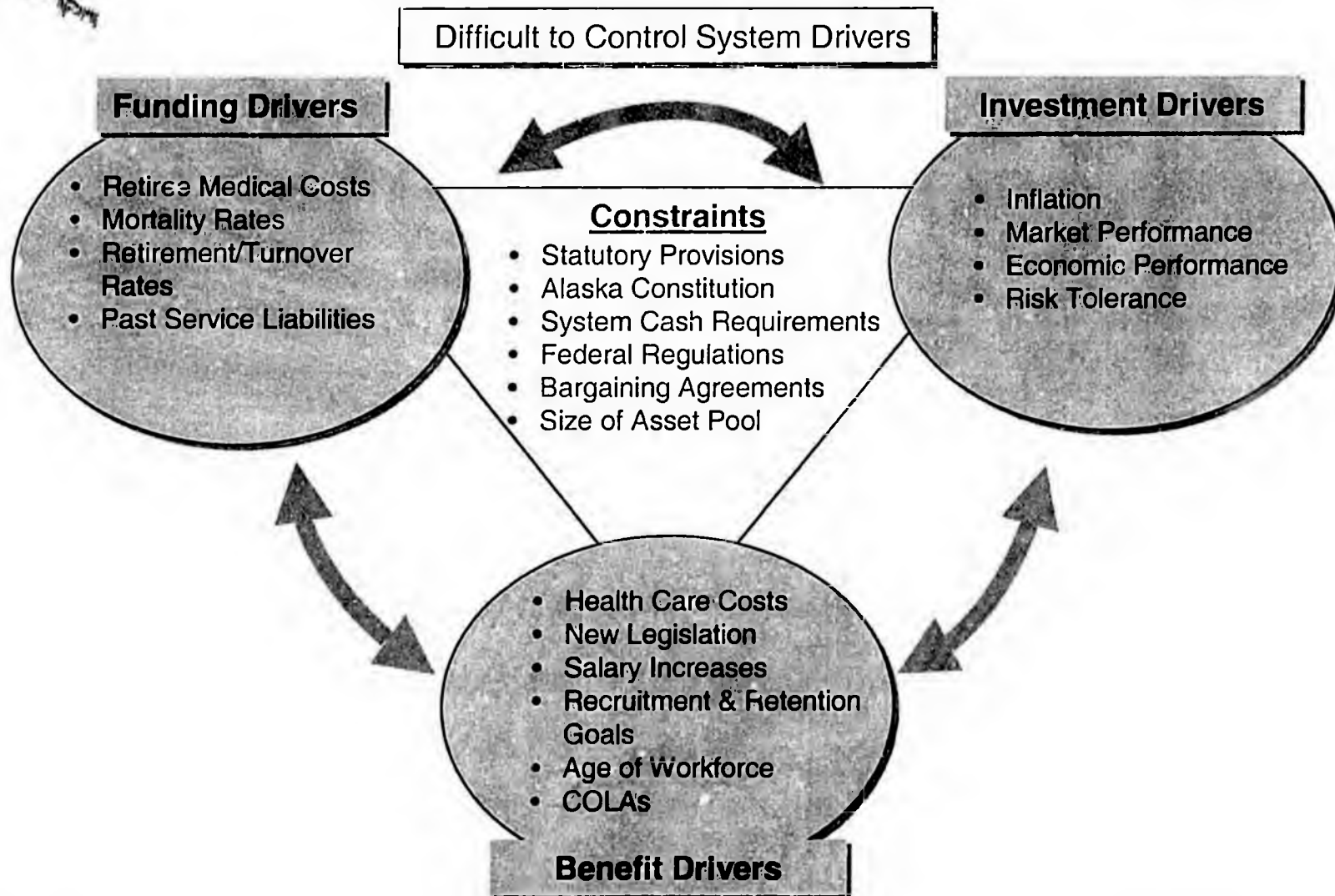
A Combination of Factors Created Our Present Situation





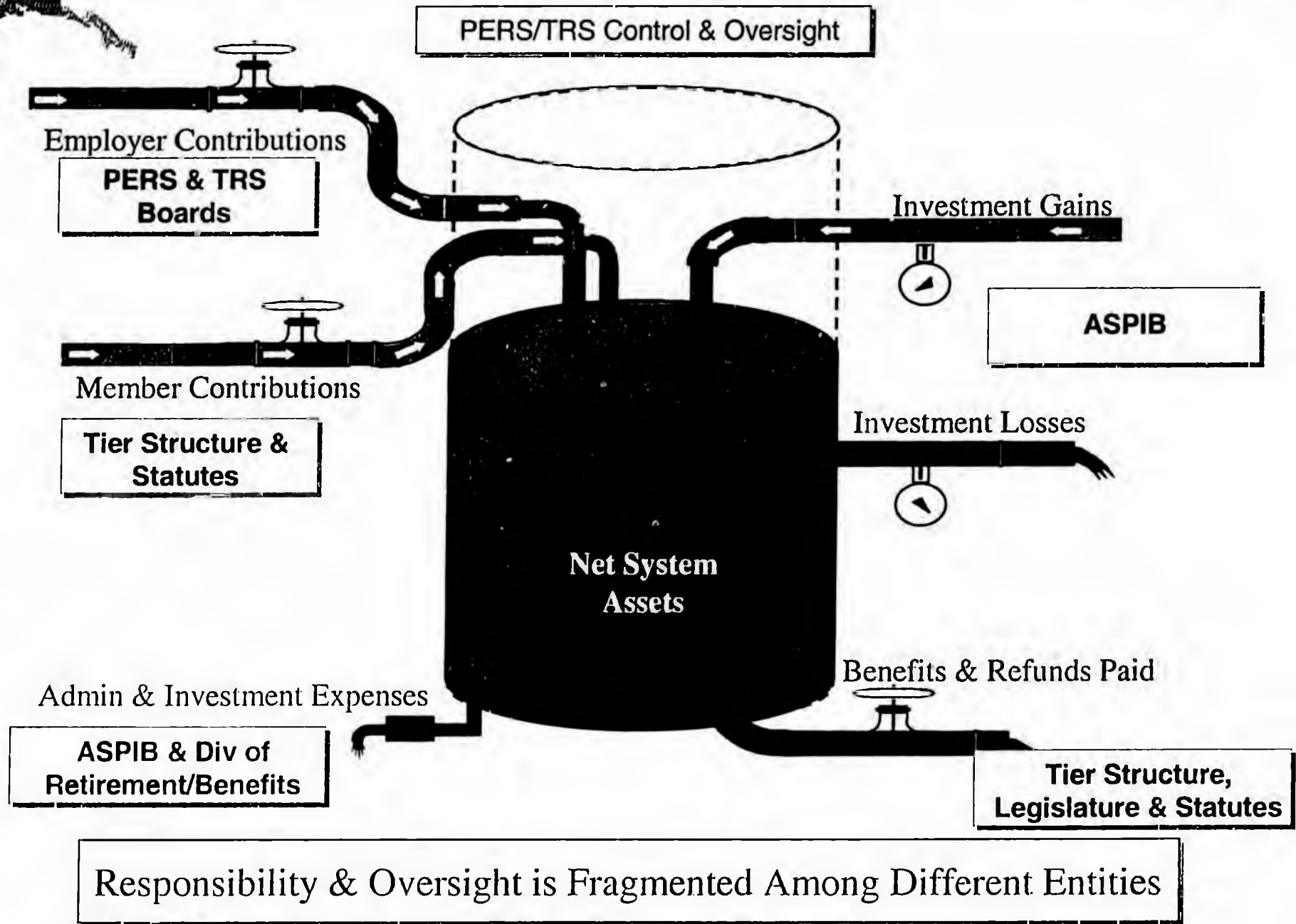
Conclusions





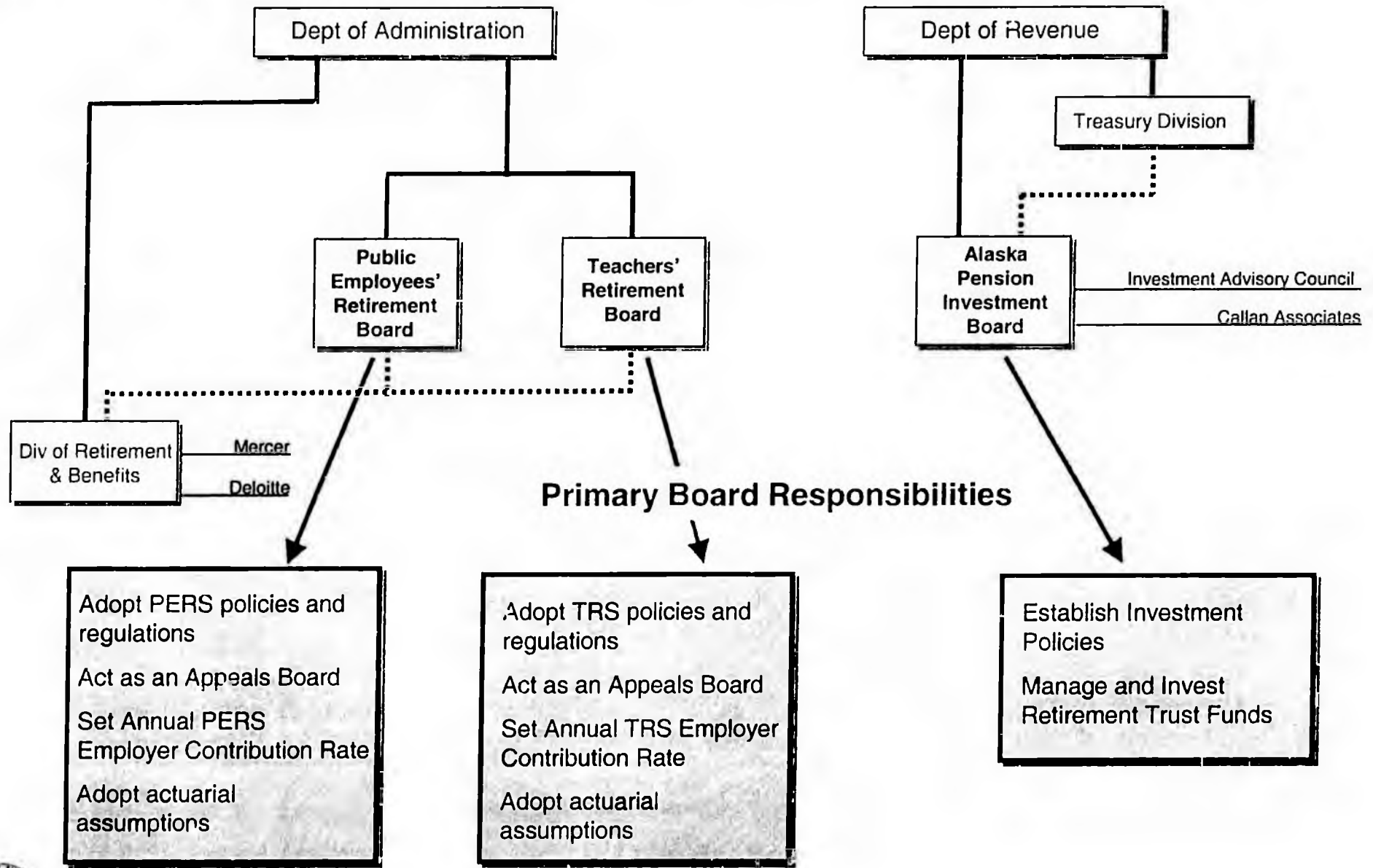
Financial & Economic Drivers are Hard To Predict and Difficult to Control

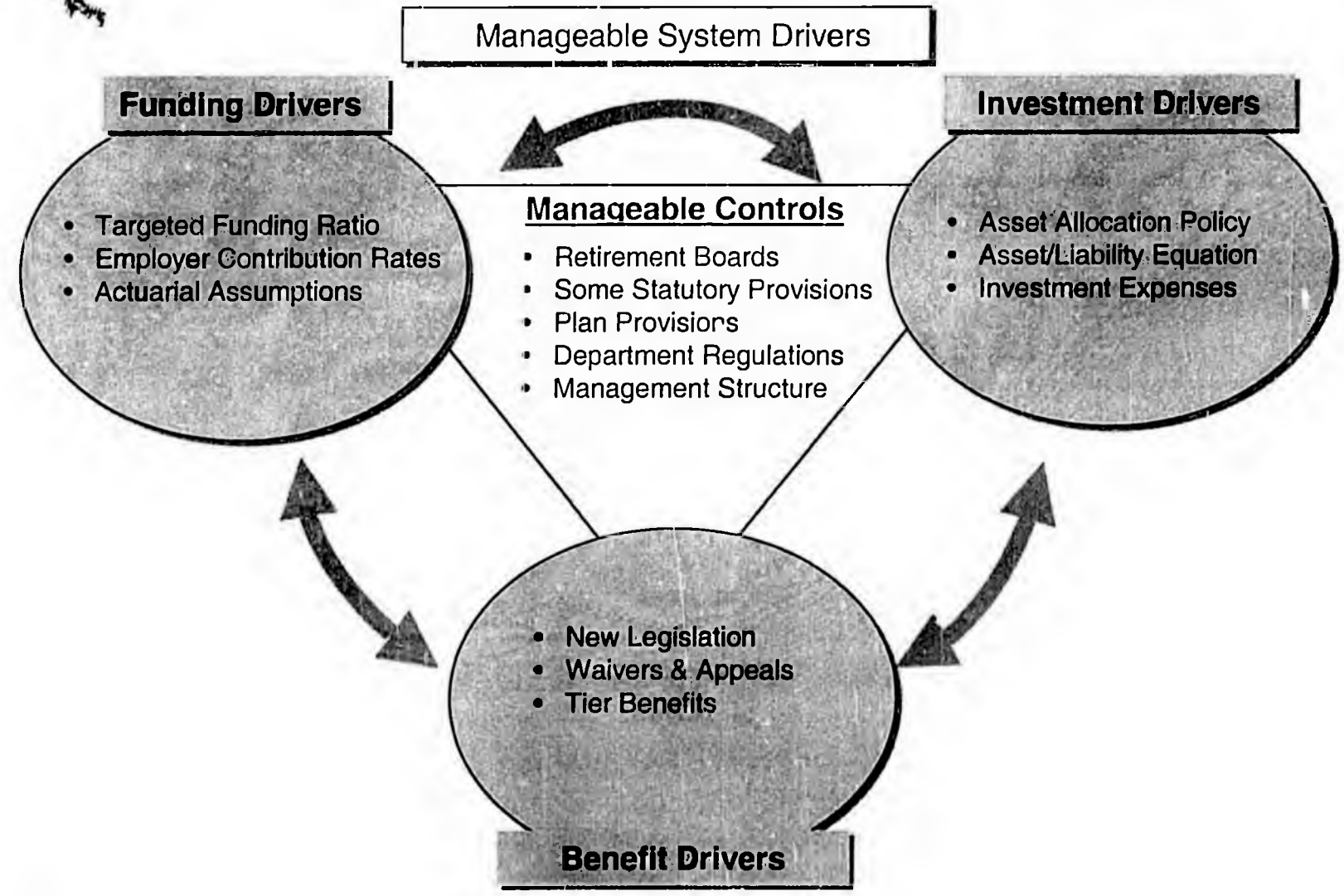






Current Retirement System Organization





Parts of The System Can...and Should.... be Better Managed





Important Conclusions

- System assets and liabilities must be jointly managed
- System volatility needs to be reduced
- Cost predictability and controls must be improved
- Employer contribution rates must be stabilized
- Liability growth must be contained
- Existing liability must be reduced





SB 141 Solution





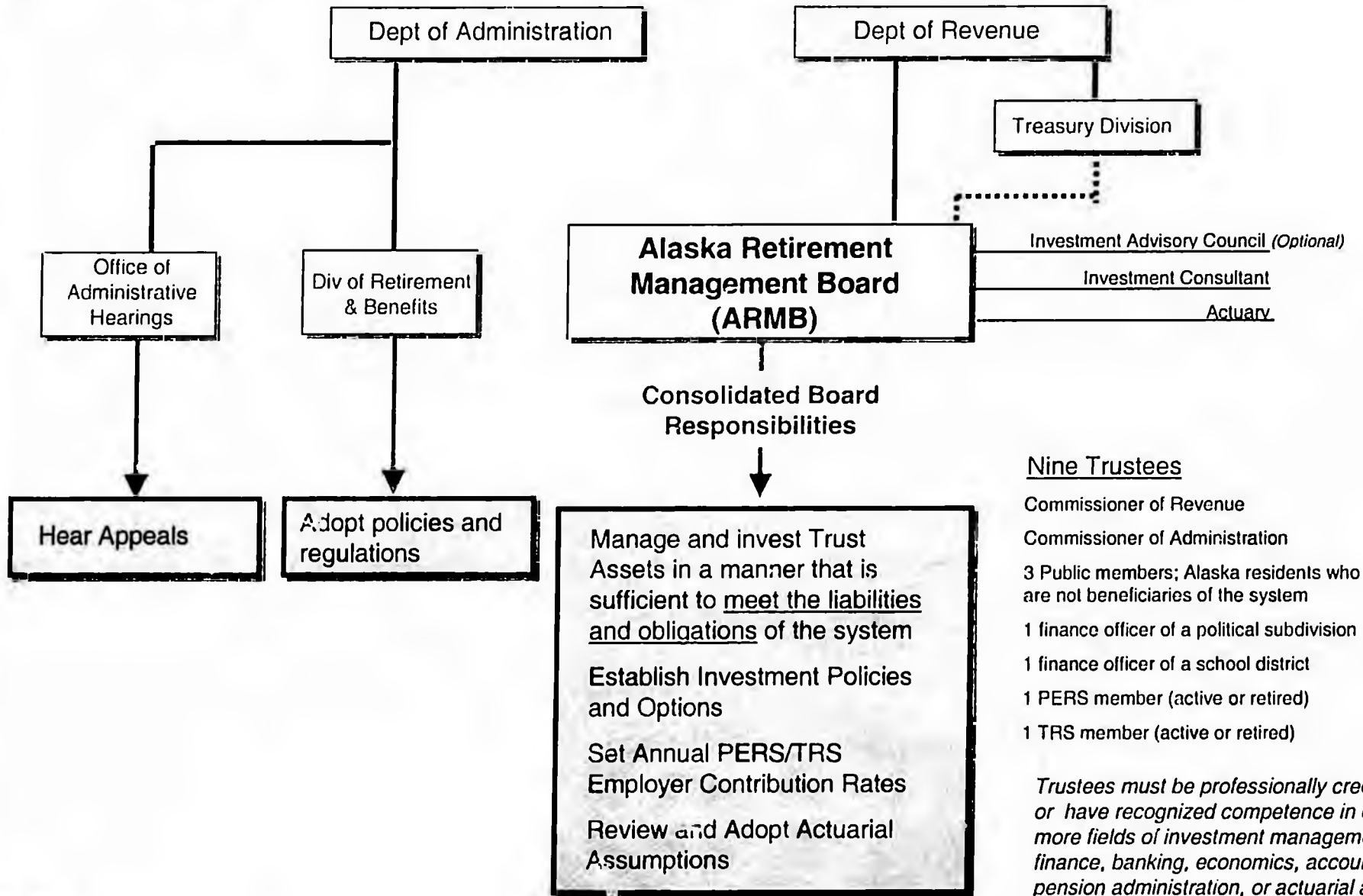
Key Elements:

- Replaces the existing boards (PERS, TRS, ASPIB) with a new 9-member Alaska Retirement Management Board (ARMB)
- Provides more employer representation on the board; strengthens the board’s fiduciary responsibilities; gives the board responsibility for setting employer contribution rates and for adopting actuarial assumptions
- Transfers the responsibility for hearing waivers and appeals to the Office of Administrative Hearings
- Increases payroll contributions for existing employees by 0.5% annually until employers and employees share normal costs 50/50 *(This provision was removed by House State Affairs)*
- Establishes a Defined Contribution (DC) Plan, Retiree Medical Benefit and Health Reimbursement arrangement for new employees



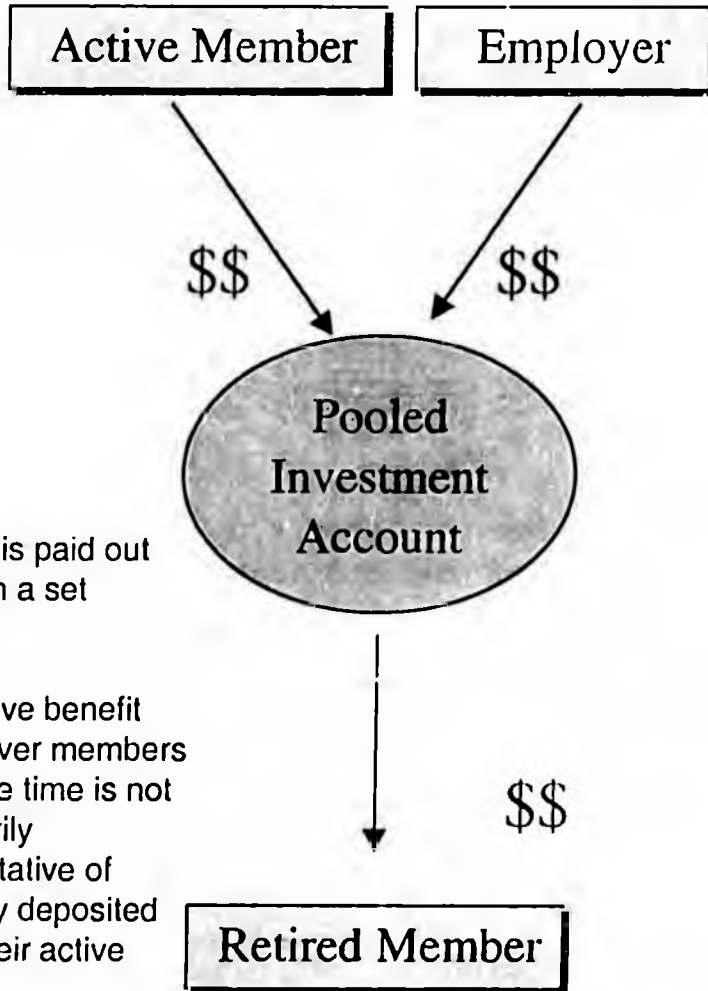


SB 141 Retirement System Organization





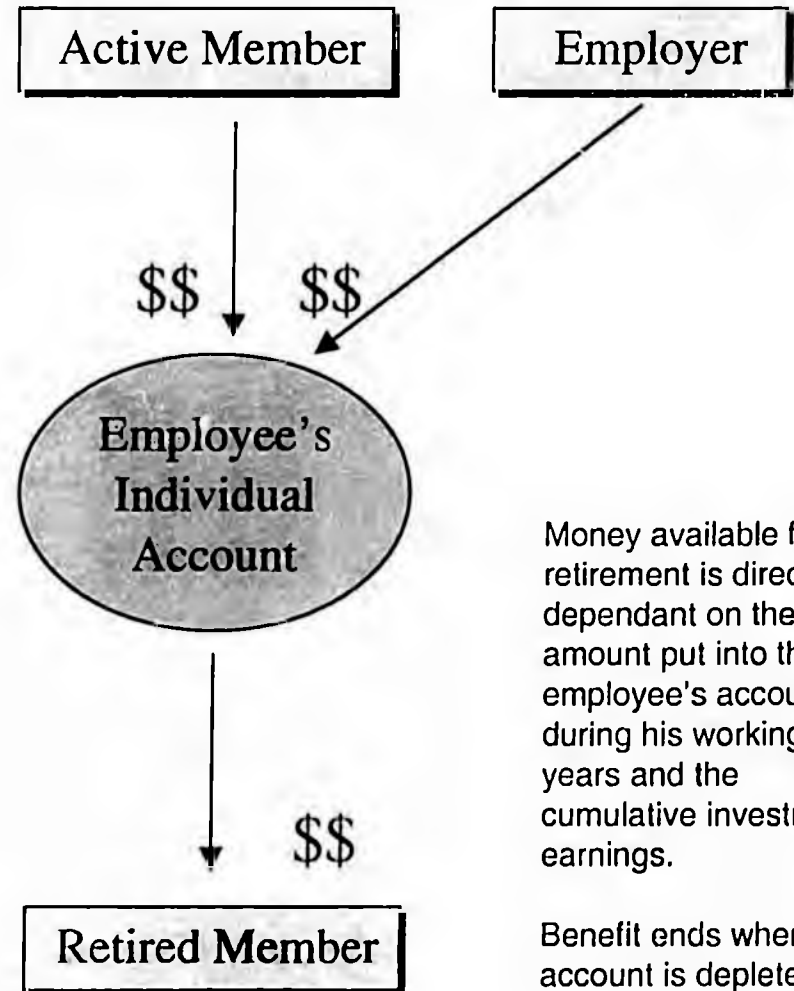
Defined Benefit System



Pension is paid out based on a set formula.

Cumulative benefit payout over members retired life time is not necessarily representative of what they deposited during their active career

Defined Contribution System



Money available for retirement is directly dependant on the amount put into the employee's account during his working years and the cumulative investment earnings.

Benefit ends when account is depleted.





FY 06 Normal Cost Comparisons – TRS Tier II & PERS Tier III vs. SB141 DC Proposals

FY 06 Normal Cost Rates

	TRS II	PERS III	CS SB141(FIN)	HCS CSSB141(STA)
Medical normal cost rate	7.93%	7.23%	1.75%	3.75%
Defined contribution rate	12.43%	10.32%	12.50%	12.50%
HRA contribution rate	0.0%	0.0%	2.00%	2.00%
Gross normal cost rate	20.36%	17.55%	16.25%	18.25%
Member contribution rate	(8.65)%	(6.81)%	(8.00)%	(8.00)%
Employer normal cost rate	12.71%	10.74%	8.25%	10.25%





Our primary objective must be to ...

- Maintain Our Ability to Recruit and Retain Talent
- Maintain the Attractiveness of Public Sector Employment
- Ensure the Solvency of Alaska’s Retirement System

SB 141 will

- Strengthen Management & Fiduciary Oversight
- Improve Our Ability to Predict and Control Costs
- Constrain the Growth of the Unfunded Liability
- Provide Near Term Financial Relief to Employers
- Pave the Way For Developing a Long-term Financial Fix



Sat. April 30, 2005
2:29 PM - 5:23

SB 141

HCS SB 141 (FIN) \ C
4/28 moved to adapt by Hawker
objected by Joule

1 ADM \$
new ADM \$
3 REV \$
4 REV \$
5 REV \$
6 REV \$
7 REV \$
SFIN 8 ADM \$

Amendments:

- 1 Kelly - adopted as amended 5-23
- 2 Kelly - adopted
- 3 Kelly - Adopted
- 4 Kelly amended pg 2, lines 1, 3, 5, 7, 8, 17, 20 Adopte
- 5 Kelly Adopt amend 19 2
- 6 Kelly amend
- 7 Kelly Adopt (5/1/05) lang no lobby
- 8 Kelly - adopted conceptual 95 amended
- 9 Kelly withdrew 5/1/05
- 10 Kelly Adopted
- 11 Kelly failed
- 12 Kelly Adopted no lobby
- 13 Weyrauch Adopted no lobby
- 14 Weyrauch w/D
- 15 Weyrauch w/D
- 16 Weyrauch adopted no lobby
- 17 Weyrauch failed 4-7
- 18 Weyrauch w/D
- 19 Weyrauch amended "or decreased" added 5-4 failed
- 20 Weyrauch failed 5-5
- 21 Weyrauch adopted N/D
- 22 Weyrauch failed 5-6

5/1/05

5/1/05

- 23 Hawker - fails 4-7
- 24 Crott - fails 5-6
- 25 Crott withdrawn
- 26 Weyhranch - adopted NO
- 27. - Kelly New adopted NO
- 28. Weyhranch adopted as amended
- 29. Hawker - failed 5-6

5-1-05
Berkovitz

AMENDMENTS

SB 141

AMENDMENT 1

OFFERED IN THE HOUSE
TO: HCS CS SB141 (STA)
24-LS0637\X

BY REPRESENTATIVE KELLY

adopted

1 Page 47, line 11

2 Delete "three"

3 Insert "seven"

4

5 Page 47, lines 24-31

6 Page 48, lines 1-5

7 Delete all material

8 Insert

9 (3) two trustees shall be a member of the public employees' retirement
10 system who shall be selected from a list of ²nominees submitted by public employees'
11 retirement system bargaining units;

12 (4) two trustees shall be a member of the teachers' retirement system who
13 shall be selected from a list of ²nominees submitted by teachers' retirement system
14 bargaining units.

15

16

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21

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24

*adopted
as amended*

4-30-05

AMENDMENT 1

OFFERED IN THE HOUSE
TO: HCS CS SB141 (STA)
24-LS0637X

BY REPRESENTATIVE KELLY

1 Page 47, line 11

2 Delete "three"

3 Insert "seven"

4

5 Page 47, lines 24-31

6 Page 48, lines 1-5

7 Delete all material

8 Insert (d)

9 (3) two trustees shall be a member of the public employees' retirement
10 system who shall be selected from a list of nominees submitted by public employees'
11 retirement system bargaining units;

12 (e)
13 (4) two trustees shall be a member of the teachers' retirement system who
14 shall be selected from a list of nominees submitted by teachers' retirement system
15 bargaining units.

16

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24

*Amend. to Amend 1
with 1 trustee withdrawn
shall be subject to the system*

*Amend to
Amend 1
(c)
adopted*

three

three

Amend to Amend 1

(See drafted version
signature has)

4/30/05

Adopted
AS amended
w/ 10, 12, 13

AMENDMENT 1

OFFERED IN THE HOUSE
TO: HCS CS SB141 (STA)
24-LS0637X

BY REPRESENTATIVE KELLY

- 1 Page 47, line 11
- 2 Delete "three"
- 3 Insert "seven"

- 4
- 5 Page 47, lines 24-31
- 6 Page 48, lines 1-5
- 7 Delete all material
- 8 Insert

9 ~~(b)~~ (3) two trustees shall be a member of the public employees' retirement
 10 system who shall be selected from a list of ^{#3} nominees submitted by public employees'
 11 retirement system bargaining units;

12 (c) (4) two trustees shall be a member of the teachers' retirement system who
 13 shall be selected from a list of ³ nominees submitted by teachers' retirement system
 14 bargaining units.

AM to AM
adopted

15

16 2nd AM to AM w/D

17 All of the Trustees must be

18 confirmed by the legislature.

19

20

21

22

23

24

AMENDMENT |

OFFERED IN THE HOUSE

TO: HCS CSSB 141(STA)

*adoption of
Amendment 1
with conforming*

1 Page 47, following line 11:

2 Delete "three"

3 Insert "seven"

4

5 Page 47, line 24, through page 48, line 5:

6 Delete all material and insert:

7 "(D) two trustees who are members of the public employees'
8 retirement system, selected from a list of ^{+twice} nominees submitted by public
9 employees' retirement system bargaining units;

10 (E) two trustees who are members of the teachers' retirement
11 system selected from a list of ^{+twice} nominees submitted by teachers' retirement
12 system bargaining units."

13

14 Page 48, line 7:

15 Delete "or elected"

16

17 Page 108, line 1:

18 Delete "AS 37.10.210(b)(3)"

19 Insert "AS 37.10.210(b)(2)(D) and (E)"

AMENDMENT

*Conforming to
the adoption
of Amendment 1*

OFFERED IN THE HOUSE
TO: HCS CSSB 141(STA)

- 1 Page 48, line 16:
- 2 Delete "three-"
- 3 Insert "two-"
- 4
- 5 Page 108, line 1:
- 6 Delete "appointed"
- 7 Insert "elected"

AMENDMENT 2

Adopted

OFFERED IN THE HOUSE
TO: HCS CS SB 141 (STA)
24-LS0637\X

BY REPRESENTATIVE KELLY

- 1 Page 59, line 15
- 2 Delete "two"
- 3 Insert "2.5"
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
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- 22
- 23
- 24

Adopted

AMENDMENT 2

OFFERED IN THE HOUSE
TO: HCS CS SB 141 (STA)
24-LS0637X

BY REPRESENTATIVE KELLY

- 1 **Page 59, line 15**
- 2 Delete "two"
- 3 Insert "2.5"
- 4
- 5
- 6
- 7
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- 11
- 12
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- 22
- 23
- 24

*insert 3
amendment to 141*

HOUSE FINANCE COMMITTEE

DATE: April 30, 2005

Amendment: 7

(amendment to)
up to 3%
Oppose

MEMBER

Favor

Oppose

CROFT	✓	
FOSTER		✓
HAWKER	✓	
HOLM		✓
JOULE	✓	
KELLY		✓
MOSES	✓	
STOLTZE		✓
WEYRAUCH	✓	
CHENAULT		✓
MEYER		✓

5

6

fails.

Adopted

AMENDMENT 3

OFFERED IN THE HOUSE
TO: HCS CS SB 141 (STA)
24-LS0637\X

BY REPRESENTATIVE KELLY

- 1 Page 16, line 10
- 2 Delete "4.5"
- 3 Insert "5"
- 4
- 5 Page 83, line 20
- 6 Delete "4.5"
- 7 Insert "5"
- 8
- 9
- 10
- 11
- 12
- 13
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- 15
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- 19
- 20
- 21
- 22
- 23
- 24

no/obj

AMENDMENT 3

OFFERED IN THE HOUSE
TO: HCS CS SB 141 (STA)
24-LS0637\X

BY REPRESENTATIVE KELLY

- 1 **Page 16, line 10**
- 2 Delete "4.5"
- 3 Insert "5"
- 4
- 5 **Page 83, line 20**
- 6 Delete "4.5"
- 7 Insert "5"
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
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- 17
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- 20
- 21
- 22
- 23
- 24

W/D

AMENDMENT 4

OFFERED IN THE HOUSE
TO: HCS CS SB 141 (STA)
24-LS0637\X

BY REPRESENTATIVE KELLY

- 1 Page 27, line 27
- 2 Following (j)
- 3 Delete "and"
- 4 Insert ";
- 5 Following (k)
- 6 Insert "and (n)"
- 7 Page 28 line 7-line 8
- 8 Delete "use of the subsidy base for Medicare-eligible premiums"
- 9 Insert: "be eligible for benefits as defined in (n) of this section"
- 10 Page 28, line 10
- 11 Delete all material
- 12 Page 28, line 11
- 13 Delete all material
- 14 Page 28, line 14
- 15 Delete "Each"
- 16 Insert "The"
- 17 Page 28
- 18 Following line 15
- 19 Insert
- 20 (n) The cost of premiums for a participant who is eligible for Medicare is the following
- 21 percentage of the premium amount:
- 22 (A) 30 percent if the member had 10 or more, but less than 15, years of service;
- 23 (B) 25 percent if the member had 15 or more, but less than 20, years of service;
- 24 (C) 20 percent if the member had 20 or more, but less than 25, years of service;
- 25 (D) 10 percent if the member had 30 or more years of service.

1 Page 16, line 12
2 Delete "3.75"
3 Insert "2.5"
4 Renumber Accordingly
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AMENDMENT 4

OFFERED IN THE HOUSE
TO: HCS CS SB 141 (STA)
24-LS0637X

BY REPRESENTATIVE KELLY

adopted

- 1 Page 27, line 27
- 2 Following (j)
- 3 Delete "and"
- 4 Insert ","
- 5 Following (k)
- 6 Insert "and (n)"
- 7 Page 28 line 7-line 8
- 8 Delete "use of the subsidy base for Medicare-eligible premiums"
- 9 Insert: "be eligible for benefits as defined in (n) of this section"
- 10 Page 28, line 10
- 11 Delete all material
- 12 Page 28, line 11
- 13 Delete all material
- 14 Page 28, line 14
- 15 Delete "Each"
- 16 Insert "The"
- 17 Page 28
- 18 Following line 15
- 19 Insert
- 20 (n) The cost of premiums for a participant who is eligible for Medicare is the following
- 21 percentage of the premium amount:
- 22 (A) 30 percent if the member had 10 or more, but less than 15, years of service;
- 23 (B) 25 percent if the member had 15 or more, but less than 20, years of service;
- 24 (C) 20 percent if the member had 20 or more, but less than 25, years of service;
- 25 (D) 10 percent if the member had 30 or more years of service.

- 1 Page 16, line 12
- 2 Delete "3.75"
- 3 Insert "2.5"
- 4 Renumber Accordingly
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NW AMENDMENT 4

OFFERED IN THE HOUSE

TO: HCS CSSB 141(STA)

- 1 Page 16, line 12:
2 Delete "3.75"
3 Insert "2.5"
4
5 Page 27, line 27:
6 Delete "(j) and (k)"
7 Insert "(j), (k), and (n)"
8
9 Page 28, lines 7 - 8:
10 Delete "will use the subsidy base for Medicare-eligible premiums"
11 Insert "are eligible for benefits as provided in (n) of this section"
12
13 Page 28, line 8:
14 Delete "will"
15 Insert "shall"
16
17 Page 28, line 10, following "(m)", through line 11:
18 Delete all material.
19
20 Page 28, line 12:
21 Delete "the subsidy"
22 Insert "The subsidy"
23 Delete "will be"

*Rep Croft
Amended
to delete
NO*

1 Insert "shall be"

2

3 Page 28, line 14:

4 Delete "Each"

5 Insert "The"

6 Delete "will"

7 Insert "shall"

8

9 Page 28, following line 15:

10 Insert a new subsection to read:

11 "(n) The cost of premiums for a participant who is eligible for Medicare is the
12 following percentage of the premium amount:

13 (1) 30 percent if the member has 10 or more, but less than 15 years of
14 service:

15 (2) 25 percent if the member has 15 or more, but less than 20 years of
16 service:

17 (3) 20 percent if the member has 20 or more, but less than 25 years of
18 service;

19 (4) 10 percent if the member has 30 or more years of service."

20

21 Reletter the following subsections accordingly.

Amended pg 2

NW AMENDMENT 4

Adopted

OFFERED IN THE HOUSE

TO: HCS CSSB 141(STA)

offered
1 Page 16, line 12:
2 Delete "3.75"
3 Insert "2.5"
4

5 Page 27, line 27:
6 Delete "(j) and (k)"
7 Insert "(j), (k), and (n)"
8

9 Page 28, lines 7 - 8:
10 Delete "will use the subsidy base for Medicare-eligible premiums"
11 Insert "are eligible for benefits as provided in (n) of this section"
12

13 Page 28, line 8:
14 Delete "will"
15 Insert "shall"
16

17 Page 28, line 10, following "(m)", through line 11:
18 Delete all material.
19

20 Page 28, line 12:
21 Delete "the subsidy"
22 Insert "The subsidy"
23 Delete "will be"

1 Insert "shall be"

2

3 Page 28, line 14:

4 Delete "Each"

5 Insert "The"

6 Delete "will"

7 Insert "shall"

8

9 Page 28, following line 15:

10 Insert a new subsection to read:

11 "(n) The cost of premiums for a participant who is eligible for Medicare is the
12 following percentage of the premium amount:

13 (1) 30 percent if the member has 10 or more, but less than 15 years of
14 service;

15 (2) 25 percent if the member has 15 or more, but less than 20 years of
16 service;

17 (3) 20 percent if the member has 20 or more, but less than ~~25~~³⁰ years of
18 service;

19 (4) 10 percent if the member has 30 or more years of service."

20

21 Reletter the following subsections accordingly.

Advised Amended

24-LS0637\X.11
Craver
4/30/05

NW AMENDMENT 4

pg 2
Amended

OFFERED IN THE HOUSE
TO: HCS CSSB 141(STA)

- 1 Page 16, line 12:
- 2 Delete "3.75"
- 3 Insert "2.5"
- 4
- 5 Page 27, line 27:
- 6 Delete "(j) and (k)"
- 7 Insert "(j), (k), and (n)"
- 8
- 9 Page 28, lines 7 - 8:
- 10 Delete "will use the subsidy base for Medicare-eligible premiums"
- 11 Insert "are eligible for benefits as provided in (n) of this section"
- 12
- 13 Page 28, line 8:
- 14 Delete "will"
- 15 Insert "shall"
- 16
- 17 Page 28, line 10, following "(m)". through line 11:
- 18 Delete all material.
- 19
- 20 Page 28, line 12:
- 21 Delete "the subsidy"
- 22 Insert "The subsidy"
- 23 Delete "will be"

1 Insert "shall be"

2

3 Page 28, line 14:

4 Delete "Each"

5 Insert "The"

6 Delete "will"

7 Insert "shall"

8

9 Page 28, following line 15:

10 Insert a new subsection to read:

11 "(n) The cost of premiums for a participant who is eligible for Medicare is the
12 following percentage of the premium amount:

13 (1) 30 percent if the member has 10 or more, but less than 15 years of
14 service;

15 (2) 25 percent if the member has 15 or more, but less than 20 years of
16 service;

17 (3) 20 percent if the member has 20 or more, but less than ³⁰~~25~~ years of
18 service;

19 (4) 10 percent if the member has 30 or more years of service."
20

20

21 Reletter the following subsections accordingly.

HOUSE FINANCE COMMITTEE

Rescind
Amend

DATE: 4/30/05
 Amendment: Am 4 ~~Am 4~~

MEMBER

Favor

Oppose

MEMBER	Favor	Oppose
HAWKER		✓
HOLM	✓	
JOULE		✓
KELLY	✓	
MOSES		✓
STOLTZE	✓	
WEYRAUCH		✓
CROFT		✓
FOSTER	✓	
CHENAULT	✓	
MEYER	✓	

HOUSE FINANCE COMMITTEE

DATE: _____

Amendment: Delete Lines
Am 4 1-3

MEMBER

Favor

Oppose

HOLM		<input checked="" type="checkbox"/>
JOULE	<input checked="" type="checkbox"/>	
KELLY		<input checked="" type="checkbox"/>
MOSES	<input checked="" type="checkbox"/>	
STOLTZE		<input checked="" type="checkbox"/>
WEYRAUCH	<input checked="" type="checkbox"/>	
CROFT	<input checked="" type="checkbox"/>	
FOSTER		<input checked="" type="checkbox"/>
HAWKER	<input checked="" type="checkbox"/>	
MEYER		<input checked="" type="checkbox"/>
CHENAULT		<input checked="" type="checkbox"/>

HOUSE FINANCE COMMITTEE

DATE: _____

Amendment: Am 4 as
~~pass Am~~

MEMBER

Favor

Oppose

JOULE		✓
KELLY	✓	
MOSES		✓
STOLTZE	✓	
WEYRAUCH	✓	
CROFT		✓
FOSTER	✓	
HAWKER	✓	
HOLM	✓	
CHENAULT	✓	Ⓚ
MEYER	✓	

HOUSE FINANCE COMMITTEE

DATE: 5-2-05

Amendment: SB 141

MEMBER

Favor

Oppose

HOLM	✓	
JOULE		✓
KELLY	✓	
MOSES	✓	
STOLTZE	✓	
<i>ab.</i> WEYRAUCH		
CROFT		✓
FOSTER	✓	
HAWKER	✓	
MEYER	✓	
CHENAULT	✓	

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7

AMENDMENT 5

OFFERED IN THE HOUSE
TO: HCS CS SB 141 (STA)
24-LS0637\X

BY REPRESENTATIVE KELLY

- 1 Page 93, line 19
2 Delete All Material
3 Insert
4 (1) has at least 25 years of service as a peace officer or fire fighter or at least 30
5 years of service for all other employees; or"
6 Page 95, line 6
7 Following (j)
8 Delete "and"
9 Insert ","
10 Following (k)
11 Insert "and (n)"
12 Page 95 line 17-line 18
13 Delete "use the subsidy base for Medicare-eligible premiums."
14 Insert "be eligible for benefits as defined in (n) of this section."
15 Page 95, line 20-21
16 Delete All Material
17 Page 95, line 24
18 Delete "Each"
19 Insert "The
20 Page 96
21 Following line 25 insert
22 (n) The cost of premiums for a participant who is eligible for Medicare is the
23 following percentage of the premium amount:
24

adopted

- 1 (A) 30 percent if the member had 10 or more, but less than 15, years of service:
- 2 (B) 25 percent if the member had 15 or more, but less than 20, years of service;
- 3 (C) 20 percent if the member had 20 or more, but less than 25, years of service;
- 4 (D) 10 percent if the member had 30 or more years of service.

5 Page 83, line 22

6 Delete "3.5"

7 Insert "2.5"

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Adopted
Amended Page

24-LS0637X.12
Craver
4/30/05

New AMENDMENT 5 

OFFERED IN THE HOUSE

TO: HCS CSSB 141(STA)

1 Page 83, line 22:

2 Delete "3.5"

3 Insert "2.5"

4

5 Page 93, line 19, following "the member has":

6 Delete all material and insert "at least 25 years of service as a peace officer or fire
7 fighter or at least 30 years of service for all other employees; or"

8

9 Page 94, lines 4, following "a member with at least":

10 Delete "30 years of service"

11 Insert "25 years of service as a peace officer or fire fighter or at least 30 years of
12 service for all other employees"

13

14 Page 95, line 6:

15 Delete "(j) and (k)"

16 Insert "(j), (k), and (n)"

17

18 Page 95, lines 17 - 18:

19 Delete "will use the subsidy base for Medicare-eligible premiums"

20 Insert "are eligible for benefits as provided in (n) of this section"

21

22 Page 95, line 18:

23 Delete "will"

1 Insert "shall"

2

3 Page 95, line 20 following "(m)" through line 21:

4 Delete all material.

5

6 Page 95, line 22:

7 Delete "the subsidy"

8 Insert "The subsidy"

9 Delete "will be"

10 Insert "shall be"

11

12 Page 95, line 24:

13 Delete "Each"

14 Insert "The"

15 Delete "will"

16 Insert "shall"

17

18 Page 95, following line 25:

19 Insert a new subsection to read:

20 "(n) The cost of premiums for a participant who is eligible for Medicare is the
21 following percentage of the premium amount:

22 (1) 30 percent if the member has 10 or more, but less than 15 years of
23 service;

24 (1) 25 percent if the member has 15 or more, but less than 20 years of
25 service;

26 (1) 20 percent if the member has 20 or more, but less than ~~25~~³⁰ years of
27 service;

28 (1) 10 percent if the member has 30 or more years of service

29

30 Reletter the following subsections accordingly.

HOUSE FINANCE COMMITTEE

DATE: _____

Amendment: Am New 5

Delete 1-3 W

MEMBER

Favor

Oppose

MEMBER	Favor	Oppose
KELLY	✓	
MOSES		✓
STOLTZE		✓
WEYRAUCH	✓	
CROFT	✓	
FOSTER		✓
HAWKER	✓	
HOLM		✓
JOULE	✓	
MEYER		✓
CHEHAULT		✓

AMENDMENT 5

w/D

OFFERED IN THE HOUSE
TO: HCS CS SB 141 (STA)
24-LS0637\X

BY REPRESENTATIVE KELLY

- 1 Page 93, line 19
- 2 Delete All Material
- 3 Insert
- 4 (1) has at least 25 years of service as a peace officer or fire fighter or at least 30
- 5 years of service for all other employees; or"
- 6 Page 95, line 6
- 7 Following (j)
- 8 Delete "and"
- 9 Insert ","
- 10 Following (k)
- 11 Insert "and (n)"
- 12 Page 95 line 17-line 18
- 13 Delete "use the subsidy base for Medicare-eligible premiums."
- 14 Insert "be eligible for benefits as defined in (n' of this section."
- 15 Page 95, line 20-21
- 16 Delete All Material
- 17 Page 95, line 24
- 18 Delete "Each"
- 19 Insert "The
- 20 Page 96
- 21 Following line 25 insert
- 22 (n) The cost of premiums for a participant who is eligible for Medicare is the
- 23 following percentage of the premium amount:
- 24

- 1 (A) 30 percent if the member had 10 or more, but less than 15, years of service;
- 2 (B) 25 percent if the member had 15 or more, but less than 20, years of service;
- 3 (C) 20 percent if the member had 20 or more, but less than 25, years of service;
- 4 (D) 10 percent if the member had 30 or more years of service.

5 Page 83, line 22

6 Delete "3.5"

7 Insert "2.5"

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AMENDMENT 6

OFFERED IN THE HOUSE
TO: HCS CS SB 141 (STA)
24-LS0637\X

BY REPRESENTATIVE KELLY

adopted

1 Page 50, line 6

2 Insert new paragraph

3 (8) review annually the status of the retiree health insurance fund established for
4 members of the defined contribution plans under AS 14.25.310-14.25.590 and AS
5 39.35.700- 39.35.990 to ensure the medical cost rate established for employers under
6 AS 14.25.350(b) and AS 39.35.750(b) is sufficient to fully fund the employers'
7 required share of the premiums established for the retiree major medical insurance
8 plan; the board shall notify the legislature immediately if the board determines the
9 rates established by statute are insufficient; *to notify leg immediately*

10

11 Renumber the Remaining Paragraphs Accordingly

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Adopted
as amended

AMENDMENT 6

OFFERED IN THE HOUSE
TO: HCS CS SB 141 (STA)
24-LS0637X

BY REPRESENTATIVE KELLY

1 Page 50, line 6

2 Insert new paragraph

3 (8) review annually the status of the retiree health insurance fund established for
4 members of the defined contribution plans under AS 14.25.310-14.25.590 and AS
5 39.35.700- 39.35.990 to ensure the medical cost rate established for employers under
6 AS 14.25.350(b) and AS 39.35.750(b) is sufficient to fully fund the employers'
7 required share of the premiums established for the retiree major medical insurance
8 plan; the board shall notify the legislature immediately if the board determines the

9 rates established by statute are insufficient *and make recommendations*
10 *on rates that are sufficient.*

11 Renumber the Remaining Paragraphs Accordingly

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~~Amendment to add study - failed~~

Adopted

*as Amended
Adopted*

AMENDMENT 6

OFFERED IN THE HOUSE
TO: HCS CS SB 141 (STA)
24-LS0637X

BY REPRESENTATIVE KELLY

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Page 50, line 6

Insert new paragraph

(8) review annually the status of the retiree health insurance fund established for members of the defined contribution plans under AS 14.25.310-14.25.590 and AS 39.35.700- 39.35.990 to ensure the medical cost rate established for employers under AS 14.25.350(b) and AS 39.35.750(b) is sufficient to fully fund the employers' required share of the premiums established for the retiree major medical insurance plan; the board shall notify the legislature immediately if the board determines the rates established by statute are insufficient;

*and make recommendations
on rates that are sufficient*

Renumber the Remaining Paragraphs Accordingly

HOUSE FINANCE COMMITTEE

Add Study -

DATE: 4/30

Amendment: Conceptual Am
to Amend 6

MEMBER

Favor

Oppose

MOSES	✓	
STOLTZE	✓	
WEYRAUCH	✓	
CROFT	✓	
FOSTER		✓
HAWKER		✓
HOLM		✓
JOULE	✓	
KELLY		✓
CHENAULT		✓
MEYER		✓

*Adopted
no lobby*

AMENDMENT 7

OFFERED IN THE HOUSE
TO: HCS CS SB 141 (STA)
24-LS0637\X

BY REPRESENTATIVE KELLY

- 1 Page 51, line 20
- 2 Delete "\$150"
- 3 Insert "\$400"
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AMENDMENT 8

Held

OFFERED IN THE HOUSE FINANCE COMMITTEE

BY REP Weyhrauch/
Stoltze

TO: HCS CSSB 141 (STA)
24-LS0637\X

Page 93 following Line 28, insert new section to read:

Sec 39.35.875. Death Benefit for Peace Officers and Fire Fighters. (a) A peace officer or fire fighter killed in the line of duty is entitled to a lump sum death benefit as outlined in this section. To be eligible for this benefit, the member's death must have occurred under the following conditions:

- (1) while the member is an active member of the retirement plan established under AS 39.35.700 – 39.35.990; and
- (2) the proximate cause of death is a bodily injury sustained while in the performance and within the course and scope of the employee's duties, and
- (3) neither the injury nor death were the proximate result of willful negligence of the employee or by the employee's own hand

(b) If the death is caused by an act of assault, assassination, or terrorism directly related to the person's status as an employee, whether the act occurs on or off the employee's job site, the death shall be considered to have occurred in the performance of the employee's duties for purposes of (a)(3) of this section.

(c) The lump sum death benefit shall be \$500,000 paid to the surviving spouse. If there is no surviving spouse, the death benefit shall be paid in equal parts to the dependant children of the employee.

(d) If no surviving spouse or dependent children exist at the time of the death or if the employee designates a beneficiary other than the surviving spouse or dependent children under AS 39.35.850, the employee's designated beneficiary is entitled to receive a lump sum death benefit of \$250,000.

(e) The death benefit shall be paid from the group health and life benefits fund established under AS 39.30.095.

(f) For purposes of this section, "peace officer" and "fire fighter" have the meaning given in AS 39.35.680.

Adopted as Amended

AMENDMENTS A

OFFERED IN THE HOUSE FINANCE COMMITTEE

BY REP _____

TO: HCS CSSB 141 (STA)
24-LS0637X

Page 93 following Line 28, insert new section to read:

Sec 39.35.875. Death Benefit for Peace Officers and Fire Fighters. (a) A peace officer or fire fighter killed in the line of duty is entitled to a death benefit as outlined in this section. To be eligible for this benefit, the member's death must have occurred under the following conditions:

- (1) while the member is an active member of the retirement plan established under AS 39.35.700 – 39.35.990; and
- (2) the proximate cause of death is a bodily injury sustained while in the performance and within the course and scope of the employee's duties, and
- (3) neither the injury nor death were the proximate result of willful negligence of the employee or by the employee's own hand

(b) If the death is caused by an act of assault, assassination, or terrorism directly related to the person's status as an employee, whether the act occurs on or off the employee's job site, the death shall be considered to have occurred in the performance of the employee's duties for purposes of (a)(3) of this section.

(c) The death benefit shall be \$500,000 paid to the surviving spouse. If there is no surviving spouse, the death benefit shall be paid in equal parts to the dependant children of the employee. The benefit shall be paid as a lump sum unless the member had selected an annuity option in accordance with regulations established by the administrator.

(d) If no surviving spouse or dependent children exist at the time of the death or if the employee designates a beneficiary other than the surviving spouse or dependent children under AS 39.35.850, the employee's designated beneficiary is entitled to receive a lump sum death benefit of \$250,000.

(e) The death benefit shall be paid from the group health and life benefits fund established under AS 39.30.095.

(f) For purposes of this section, "peace officer" and "fire fighter" have the meaning given in AS 39.35.680. *Revised*

A public employee killed or disabled in the line of duty shall be treated as if hired on June 1, 2005.

Amendment 8A As Amended

Add:

A public employee killed or disabled in the line of duty shall be treated as if hired on June 1, 2005

5/1/05

AMENDMENT 8 A

as amended
N/O 5/1/05

OFFERED IN THE HOUSE FINANCE COMMITTEE

BY REP _____

TO: HCS CSSB 141 (STA)
24-LS0637X

Page 93 following Line 28, insert new section to read:

Sec 39.35.875. Death Benefit for Peace Officers and Fire Fighters. (a) A peace officer or fire fighter killed in the line of duty is entitled to a death benefit as outlined in this section. To be eligible for this benefit, the member's death must have occurred under the following conditions:

- (1) while the member is an active member of the retirement plan established under AS 39.35.700 – 39.35.990; and
- (2) the proximate cause of death is a bodily injury sustained while in the performance and within the course and scope of the employee's duties, and
- (3) neither the injury nor death were the proximate result of willful negligence of the employee or by the employee's own hand

(b) If the death is caused by an act of assault, assassination, or terrorism directly related to the person's status as an employee, whether the act occurs on or off the employee's job site, the death shall be considered to have occurred in the performance of the employee's duties for purposes of (a)(3) of this section.

(c) The death benefit shall be \$500,000 paid to the surviving spouse. If there is no surviving spouse, the death benefit shall be paid in equal parts to the dependant children of the employee. The benefit shall be paid as a lump sum unless the member had selected an annuity option in accordance with regulations established by the administrator.

(d) If no surviving spouse or dependent children exist at the time of the death or if the employee designates a beneficiary other than the surviving spouse or dependent children under AS 39.35.850, the employee's designated beneficiary is entitled to receive a lump sum death benefit of \$250,000.

(e) The death benefit shall be paid from the group health and life benefits fund established under AS 39.30.095.

(f) For purposes of this section, "peace officer" and "fire fighter" have the meaning given in AS 39.35.680.

AMENDMENT

CSSB 141 ~~STATA~~

CONCEPTUAL

For any employee hired after the effective date of this act, who is killed or disabled in the course of their employment, the provisions of AS 14.25.157, 160, 162 or 39.35.410, 415, 420, 430, and 440 as they existed before the effective date of this act, shall apply.

Failed to replace BA 5/11/05
14
weyhravc
to replace BA
4-7 failed
5/11/05
3/11/05

AMENDMENT 9

w/D

OFFERED IN THE HOUSE FINANCE COMMITTEE

BY REP Kelly

TO: HCS CSSB 141 (STA)
24-LS0637X

Page 83 insert new wording for Sec 39.35.750(b) to read:

(b) An employer shall also make a contribution towards retiree major medical insurance. The contribution shall be paid into to the group health and life benefits fund established under AS 39.30.095 and accounted for in accordance with regulations established by the commissioner of administration. The contribution shall be a percent of a member's compensation from July 1 to the following June 30 as follows:

- (1) 2.00 percent for peace officers and fire fighters
- (2) 1.75 percent of compensation for all others

AMM 1/10/05

AMENDMENT 9 A

OFFERED IN THE HOUSE FINANCE COMMITTEE

BY REP _____

TO: HCS CSSB 141 (STA)
24-LS0637X

Page 83 insert new wording for Sec 39.35.750(b) to read:

(b) An employer shall also make a contribution towards retiree major medical insurance. The contribution shall be paid into to the group health and life benefits fund established under AS 39.30.095 and accounted for in accordance with regulations established by the commissioner of administration. The contribution shall be a percent of a member's compensation from July 1 to the following June 30 as follows:

- (1) 2.75 percent for peace officers and fire fighters
- (2) 2.50 percent of compensation for all others

New

AMENDMENT 10

W/D

OFFERED IN THE HOUSE FINANCE COMMITTEE

BY REP Weyhrauch /
Stoltze

TO: HCS CSSB 141 (STA)
24-LS0637X

Page 57 on line 7 replace existing Sec. 75 with the following language

* Sec. 75. AS 39.30.160(a) is amended to read:

(a) The Department of Administration shall, in accordance with policies prescribed by regulations of the Public Employees Retirement Board, provide to employees for whom special individual employee benefit accounts are established under AS 39.30.150(c) the following benefit options:

- (1) supplemental health benefits,
- (2) supplemental death benefits,
- (3) supplemental disability benefits, and
- (4) supplemental dependent care benefits.

Page 57 following Line 27 insert new section to read:

* Sec __. AS 39.30.160(b) is amended to read:

(b) An employee may select the types and amounts of supplemental benefits to be purchased with the money deposited in the employee's special individual employee benefit accounts under AS 39.30.150(c). The selection must be from the benefit options listed in (a) of this section.

Page 58 on line 1, insert new section to read:

* Sec __. AS 39.30.160 is amended by adding a new subsection to read:

(f) Employees for whom special individual benefit accounts are established under AS 39.30.150(c) but who are not directly enrolled in the state supplemental annuity plan through their employer, shall be afforded the option of purchasing supplemental benefits listed in (a) of this section. The department of administration shall establish procedures to accommodate these members through the department's normal open enrollment process.

AMENDMENT 10

W/D

OFFERED IN THE HOUSE FINANCE COMMITTEE

BY REP Weyhrauch /
Stoltze

TO: HCS CSSB 141 (STA)
24-LS0637\X

Page 58 on line 1, insert new section to read:

* Sec __. AS 39.30.160 is amended by adding a new subsection to read:

(f) Employees for whom special individual benefit accounts are established under AS 39.30.150 but who are not directly enrolled in the supplemental benefits program through their employer, shall be afforded the option of purchasing supplemental benefits listed in (a) of this section. The department of administration shall establish procedures to accommodate these members through the department's normal open enrollment process.

5/1/05 adopted
M/D

AMENDMENT 10 A

5100 1 only

OFFERED IN THE HOUSE FINANCE COMMITTEE

BY REP

TO: HCS CSSB 141 (STA)
24-LS0637X

Page 57 following line 6 insert new section to read:

* Sec __. AS 39.30.150 is amended to read:

(c) An employee who is enrolled in the State of Alaska Supplemental Annuity Plan may voluntarily elect additional wage reductions to be paid into special individual employee benefit accounts in the Department of Administration. Money in these accounts may only be used to purchase benefits selected by the employee under the supplemental benefits plan established under AS 39.30.160 [BY THE ADMINISTRATOR].

(d) An employee first hired in a position covered by the public employees retirement system on or after July 1, 2005, whose employer is not a participant in the State of Alaska Supplemental Annuity Plan, may voluntarily elect additional wage reductions under (c) of this section to purchase benefits under AS 39.30.160(a)(2) and (3). The employer shall transmit the employee wage reductions to the Department of Administration in accordance with regulations established by the administrator.

Page 57 on line 18 replace existing Sec. 75 with the following language

* Sec. 75. AS 39.30.160(a) is amended to read:

(a) The Department of Administration shall, in accordance with policies prescribed by regulations [OF THE PUBLIC EMPLOYEES RETIREMENT BOARD], provide to employees for whom special individual employee benefit accounts are established under AS 39.30.150(c) or AS 39.30.150(d) the following benefit options:

- (1) supplemental health benefits;[.]
- (2) supplemental death benefits;[.]
- (3) supplemental disability benefits;[.] and
- (4) supplemental dependent care benefits.

Page 57 following Line 27 insert new section to read:

* Sec __. AS 39.30.160(b) is amended to read:

(b) An employee may select the types and amounts of supplemental benefits to be purchased with the money deposited in the employee's special individual employee benefit accounts under AS 39.30.150(c) or AS 39.30.150(d). The selection must be from the benefit options listed in (a) of this section.

10A

Page 83 following line 10, insert new section to read:

* Sec __. AS 39.35.735 Access to supplemental benefits. (a) An employee may voluntarily elect to purchase supplemental benefits as established under AS 39.30.160. The department of administration shall accommodate participating employees through the department's normal open enrollment process. The employee may only select from the benefit options established by the department and shall pay for the benefits through payroll deductions. As necessary, the department of administration shall establish individual employee benefit accounts into which payroll deductions are deposited. Money in these accounts may only be used to purchase benefits selected by the employee under this section.

(b) Only employees who are enrolled directly through a qualified employer may participate in the State of Alaska Supplemental Annuity Plan established under AS 39.30.150.

5/11/05

failed

5/2

AMENDMENT 11

OFFERED IN THE HOUSE
TO: HCS CS SB 141 (STA)
24-LS0637\X

BY REPRESENTATIVE KELLY

- 1 Page 59, lines 24-27
- 2 Delete all material
- 3 Insert
- 4 "If a person who has not met the eligibility requirements of AS 14.25.470 or AS
- 5 39.35.870 returns to employment with a participating employer within 10 years after
- 6 the date of termination, the person's account balance shall be restored in the amount
- 7 recorded on the date of termination from the trust, with interest.
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*Adopted
no lobby*

AMENDMENT 12

OFFERED IN THE HOUSE
TO: HCS CS SB 141 (STA)
24-LS0637\X

BY REPRESENTATIVE KELLY

- 1 Page 27, lines 8-11
- 2 Delete all material
- 3
- 4
- 5
- 6
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Adopted
no lobby

24-LS0637X.6
Craver
4/28/05

AMENDMENT 13

OFFERED IN THE HOUSE
TO: HCS CSSB 141(STA)

Rep. Kelly

1 Page 112, following line 7:

2 Insert a new bill section to read:

3 "* Sec. 143. The uncodified law of the State of Alaska is amended by adding a new section
4 to read:

5 CONDITIONAL RETROACTIVITY. If secs. 1 - 9, 12, 15 - 18, 20 - 86, 93 - 104,
6 106 - 111, and 113 - 130 of this Act take effect after July 1, 2005, secs. 1 - 9, 12, 15 - 18, 20 -
7 86, 93 - 104, 106 - 111, and 113 - 130 of this Act are retroactive to July 1, 2005."

8
9 Renumber the following bill sections accordingly.

10

11 Page 112, line 10:

12 Delete "Section 142 of this Act takes"

13 Insert "Sections 142 and 143 of this Act take"

14

15 Page 112, line 11:

16 Delete "secs. 143 and 144"

17 Insert "secs. 144 and 145"

AMENDMENT

14

~~Adopted~~ W/D

3/11 pgs

CSSB 141 ~~...~~ BTA

Weyhrawch

CONCEPTUAL

For any employee hired after the effective date of this act, who is killed or disabled in the course of their employment, the provisions of AS 14.25.157, 160, 162 or 39.35.410, 415, 420, 430, and 440 as they existed before the effective date of this act, shall apply.

(A)

WID

24-LS0637X.5
Craver
4/27/05

15

AMENDMENT,
~~(conform to Finance Committee Substitute)~~

OFFERED IN THE HOUSE BY REPRESENTATIVE WEYHRAUCH
TO: HCS CSSB 141(STA)

1 Page ~~112~~^{HO}, following line ~~7~~¹⁸:

2 Insert a new bill section to read:

3 "* Sec. 143. The uncodified law of the State of Alaska is amended by adding a new section
4 to read:

5 CONDITIONAL RETROACTIVITY. If secs. 1 - 9, 12, 15 - 18, 20 - 86, 93 - 104,
6 106 - 111, and 113 - 130 of this Act take effect after July 1, 2005, secs. 1 - 9, 12, 15 - 18, 20 -
7 86, 93 - 104, 106 - 111, and 113 - 130 of this Act are retroactive to July 1, 2005."

8
9 Renumber the following bill sections accordingly.

10
11 Page 112, line 10:

12 Delete "Section 142 of this Act takes"

13 Insert "Sections 142 and 143 of this Act take"

14
15 Page 112, line 11:

16 Delete "secs. 143 and 144"

17 Insert "secs. 144 and 145"

AMENDMENT

16

Adopted
no lobby

OFFERED IN THE HOUSE

BY REPRESENTATIVE WEYHRAUCH

TO: HCS CSSB 141(STA)

1 Page 11, line 4:

2 Delete "110"

3 Insert "105"

4

5 Page 11, line 14:

6 Delete "110"

7 Insert "105"

8

9 Page 78, line 1:

10 Delete "110"

11 Insert "105"

failed 4-7

AMENDMENT 17

OFFERED IN THE HOUSE

BY REPRESENTATIVE WEYHRAUCH

TO: HCS CSSB 141(STA)

1 Page 18, line 20, following "accounts.", through page 19, line 1?:

2 Delete all material.

3 Insert "The board shall invest the assets of the individual accounts under
4 AS 37.10.210."

5

6 Page 49, lines 15 - 16:

7 Delete all material.

8

9 Reletter the following subparagraphs accordingly.

10

11 Page 49, line 18, following "Plan);":

12 Insert "and"

13

14 Page 49, lines 19 - 20:

15 Delete all material.

16

17 Reletter the following subparagraph accordingly.

18

19 Page 85, line 30, following "accounts.", through page 86, line 23:

20 Delete all material.

21 Insert "The board shall invest the assets of the individual accounts under

22 AS 37.10.210."

HOUSE FINANCE COMMITTEE

DATE: 4-30-05

Amendment: Amend. 17

MEMBER

Favor

Oppose

MEMBER	Favor	Oppose
WEYRAUCH	✓	
CROFT		✓
FOSTER		✓
HAWKER	✓	
HOLM		✓
JOULE	✓	
KELLY		✓
MOSES	✓	
STOLTZE		✓
CHENAULT		✓
MEYER		✓

4/

7

AMENDMENT

18 w) D

OFFERED IN THE HOUSE

BY REPRESENTATIVE WEYHRAUCH

TO: HCS CSSB 141(STA)

- 1 Page 15, line 20:
- 2 Delete "eight percent"
- 3 Insert "11 percent"
- 4
- 5 Page 16, line 10:
- 6 Delete "4.5 percent"
- 7 Insert "8.25 percent"
- 8
- 9 Page 82, line 31:
- 10 Delete "eight percent"
- 11 Insert "11 percent"
- 12
- 13 Page 83, line 20:
- 14 Delete "4.5 percent"
- 15 Insert "8.25 percent"

Failed 5-4

5/1/05

AMENDMENT

19

amended

Weyhrauch

CSSB 141 (STA)

Employer contribution rates into the PERS/TRS system may not exceed increases of 2% per year.

^ or decreases

Failed 5-5

AMENDMENT

20

amended

Weyhrauch

CSSB 141 (STA)

Add a new section to read:

Resulting in New Plan Tiers

- a. The measures adopted by this act shall sunset on June 1, 2006.
- b. Subsection a. shall be repealed if the Legislature has addressed and implemented a long-term solution to the State's PERS/TERS retirement and health benefit plan systems that deal with the unfunded liability of those systems, to ensure the long-term security of current and retired employees of the PERS/TERS system and the long term viability of the PERS/TERS system.
- c. To address the solution described in subsection b. the Legislature shall consider and implement measures that include, but are not limited to:
 - 1. employer contributions;
 - 2. bonding;
 - 3. refined actuarial analyses; and
 - 4. contributions from other state sources.

adopted N/O

AMENDMENT

21

~~amendment~~

Weyhrauch

CSSB 141 (STA)

Amend Section 1 as follows.

The uncodified law of the State of Alaska is amended by adding a new section to read:

The division of retirement and benefits to implement by regulation cost-saving measures appropriate to current and future retirees in the health care system. This includes ^{but not limited to} using manufacturer's rebates, co-pay levels, and multi-tiered co-payment structures; mandating the use of generic drugs; determining the type of drug classes in a formulary; dispensing fees; mandating or providing incentives for mail order pharmaceuticals; using a reduction in the average wholesale price; providing case management services for certain users of pharmaceuticals; capping the number of prescriptions filled each month; and restricting the number of refills that users can have at one time.

AMENDMENT

21

Adopted
no lobby

Weyhrauch

CSSB 141 (STA)

Amend Section 1 as follows.

The uncodified law of the State of Alaska is amended by adding a new section to read:

The division of retirement and benefits to implement by regulation cost-saving measures appropriate to current and future retirees in the health care system. This includes using manufacturer's rebates, co-pay levels, and multi-tiered co-payment structures; mandating the use of generic drugs; determining the type of drug classes in a formulary; dispensing fees; mandating or providing incentives for mail order pharmaceuticals; using a reduction in the average wholesale price; providing case management services for certain users of pharmaceuticals; capping the number of prescriptions filled each month; and restricting the number of refills that users can have at one time.

2

Failed

5-6

5-1-05

AMENDMENT

changed

22

Weyhrauch

CSSB 141 (STA)

Delete section ~~37~~³⁵-50.

Renumber accordingly

fails 4-7

CONCEPTUAL AMENDMENT

23

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: Senate Bill 141

1 **Remove all language instituting a new tier system**

2

3 **Insert where appropriate, with appropriate section numbers, conforming**
4 **amendments, and references as necessary to implement the new sections**
5 **with an immediate effective date:**

6

7 **New Bill Section:** AS 14.25 is amended by adding a new section to read:

8 Sec. 14.25.052. Calculation of member contribution rate. (a) Each active member shall
9 contribute a percentage of the member's base salary to be determined annually in
10 advance by the administrator. The member contribution rate is the greater of

11 (1) 8.65 percent; or

12 (2) one-half of the normal cost rate actuarially calculated to fund the benefits expected to be
13 earned by active members during the fiscal year.

14 (b) Notwithstanding (a) of this section, the member contribution rate may not increase more
15 than one-half of a percentage point annually.

16

17 **New Bill Section:** AS 44.85.010 (a) is amended by adding a new section to read:

18 (4) to assist governmental employers to prepay all or a portion of their share of
19 unfunded accrued actuarial liabilities of retirement systems in an effort to reduce their
20 costs of satisfying their contractual obligations to provide retirement and other benefits
21 to public employees through the issuance of bonds, notes, or commercial paper by the
22 bond bank authority or by a subsidiary corporation created by the bond bank authority
23 under AS 44.85.085.

24

25

1 **New Bill Section:** AS 44.85.010 (b) is amended to read:

2 (1) the exercise of the powers of the state in the interest of its municipalities and in the
3 interest of public employees of the state and of its municipalities is required to further and
4 implement the policies declared in (a) of this section by authorizing the creation of a state
5 bond bank authority as a body corporate and politic that will have full powers to borrow
6 money and to issue its bonds and notes to make capital funds available for borrowing by
7 municipalities and for borrowing by or on behalf of governmental employers, by
8 authorizing governmental employers to contract with the bond bank authority or with a
9 subsidiary created under AS 44.85.085 for the purpose of reducing future costs of
10 providing retirement and other benefits to employees, and by granting broad powers to
11 the bond bank authority to carry out the declared policies, which are in the public interest of
12 the state and its taxpayers and residents;

13 (2) state funds should be applied or authorized to be paid to a state bond bank authority
14 only to provide adequate assurance and security to the holders of the bonds or notes of the
15 bond bank authority;

16 (3) the bond bank authority should conduct its operations to provide the lowest rates in
17 terms of borrowing to municipalities and to governmental employers as is consistent with a
18 self-supporting operation with no expectation of subsidization with state funds; the
19 legislature does not intend that the bond bank authority be utilized as a means to finance
20 municipalities or governmental employers beyond their capability to meet repayment
21 schedules and debt service requirements of bonds, notes, commercial paper, or contractual
22 obligations to the bond bank authority [OR NOTES].

23
24 **New Bill Section:** AS 44.85.080 (20) is amended to read:

25 (20) by regulation, create a new entity or new entities for the purpose of issuing
26 negotiable or nonnegotiable revenue bonds, notes, or certificates of participation to finance a
27 self-insurance program for municipalities or municipal joint insurance arrangements
28 organized under AS 21.76 or to provide assistance to governmental employers under AS
29 44.85.085(a); the powers, duties, and membership of the new entity or entities shall be
30 limited to the powers, duties, and membership of the authority and stated in the regulation;

1 the new entity or entities shall each be a public corporation and an instrumentality of the
2 state with the same legal existence and continuing succession as the bond bank authority; and
3

4 **New Bill Section:** AS 44.85 is amended by adding new sections to read:

5 Sec. 44.85.085. Creation of subsidiary corporation.

6 (a) The bond bank authority may create one or more subsidiary corporations for the
7 following purposes:

8 (1) providing financial and other assistance to governmental employers to enable the
9 governmental employers to reduce their costs of providing retirement and other benefits to
10 their employees by prepaying all or a portion of their shares of the unfunded accrued
11 actuarial liabilities of retirement systems;

12 (2) receiving payments and providing servicing for payments to or from participating
13 governmental employers; and

14 (3) performing other duties and providing other services as the subsidiary corporation
15 considers necessary or desirable to further the purposes set out in (1) and (2) of this
16 subsection.

17 (b) The bond bank authority may incorporate under AS 10.20.146 - 10.20.166 a
18 subsidiary corporation created under (a) of this section. The bond bank authority may
19 transfer assets of the bond bank authority to the subsidiary corporation and may agree to
20 secure bonds, notes, commercial paper, or other obligations of the subsidiary corporation
21 with a reserve fund established under AS 44.85.270.

22 (c) A subsidiary corporation created under (a) of this section may borrow money and
23 issue bonds, notes, commercial paper, or other obligations as evidence of that borrowing and
24 may have all the powers of the bond bank authority that the bond bank authority grants to it.
25 The provisions of AS 44.85.130 - 44.85.170 and 44.85.270 - 44.85.390 apply to the
26 subsidiary corporation and to bonds, notes, commercial paper, or other obligations issued by
27 the subsidiary corporation. Unless otherwise provided by the bond bank authority, the debts,
28 liabilities, and obligations of the subsidiary corporation are not the debts, liabilities, or
29 obligations of the bond bank authority.

30 (d) The staff of the bond bank authority serves as staff of a subsidiary corporation
31 created under (a) of this section. The bond bank authority shall determine the membership or

1 the process for selecting the membership of the board of directors of the subsidiary
2 corporation. The bond bank authority may permit some or all of its directors to serve on the
3 board of directors of the subsidiary corporation. Sec. 44.85.086. Powers of subsidiary
4 corporation. A subsidiary corporation created under AS 44.85.085 has the following powers
5 in addition those granted to it under AS 44.85.085(c):

6 (1) to make loans to and enter into contracts with governmental employers;

7 (2) to incur debt in furtherance of its purposes in the form of bonds, notes, commercial
8 paper, or other forms as the subsidiary corporation considers appropriate;

9 (3) to secure its debt with a pledge of any assets that are available to the subsidiary
10 corporation for the purpose, including identified revenue and contractual payments from
11 participating governmental employers, and the general assets and revenue of the subsidiary
12 corporation; and

13 (4) to enter into contracts with underwriters, bond counsel, financial advisors,
14 accountants, actuaries, and other contractors to provide assistance as the subsidiary
15 corporation considers desirable to accomplish its purposes.

16
17 **New Bill Section:** AS 44.85.100(b) is amended to read:

18 (b) The bond bank authority shall include in the report required by (a) of this section an
19 estimate of the amount of revenue bonds of the bond bank authority to be issued during the
20 fiscal year following the fiscal year in which the report is submitted. Other than refunding
21 bonds and other than bonds, notes, commercial paper, or other obligations issued under
22 AS 44.85.086 and 44.85.180(a)(5), the [THE] bond bank authority may not issue revenue
23 bonds [, OTHER THAN REFUNDING BONDS,] in excess of \$75,000,000 during any fiscal
24 year beginning after June 30, 1981, unless the legislature, by law, approves the estimate
25 required by this subsection for that fiscal year.

26
27 **New Bill Section:** add a new section to AS 44.85.180(a) read:

28 (5) assisting governmental employers to prepay all or a portion of their share of the
29 unfunded accrued actuarial liabilities of retirement systems, with security as the bond
30 bank authority considers reasonable.

1 **New Bill Section:** AS 44.85.180(c) is amended to read:

2 (c) Notwithstanding the provisions of (a) and (b) of this section, the total amount of bond
3 bank authority bonds and notes outstanding at any one time [, EXCEPT BONDS OR NOTES
4 ISSUED TO FUND OR REFUND BONDS OR NOTES,] may not exceed \$500,000,000.

5 This subsection does not apply to (1) bonds or notes issued to fund or refund bonds or
6 notes; (2) bonds, notes, commercial paper, and other obligations issued under AS
7 44.85.086 or 44.85.180(a)(5).

8

9 **New Bill Section:** AS 44.85.410(a)(5) is amended by adding a new paragraph to read:

10 (8) "governmental employer" means the State of Alaska or a municipality or other state
11 or municipal governmental entity within the state, including an agency, instrumentality,
12 district, school district, public corporation, department, division, or other subdivision of the
13 state or of a municipality, in its capacity as an employer.

14

15 **Add fiscal note funding TRS component of HB 1.**

16 **Revise other fiscal notes as appropriate.**

failed

24

AMENDMENT

Croft

TO BE OFFERED IN HOUSE FINANCE
TO HCSSB 141 (STA) \ "X"

BY REPRESENTATIVE

Page 1, line 1 through page 2, line 3:

Delete all material.

Insert: "An Act relating to establishing the Alaska Retirement Management Board to replace the Alaska State Pension Investment Board, the Alaska Teachers' Retirement Board, and the Public Employees' Retirement Board; creating a temporary retirement task force; and providing for an effective date."

Page 2, line 5 through page 112, line 12:

Delete all material.

Insert: "Section 1. AS 37.10.210 is repealed and reenacted to read:

Sec. 37.10.210. Alaska Retirement Management Board. (a) The Alaska Retirement Management Board is established in the Department of Revenue. The board's primary mission is to serve as the trustee of the assets of the state's retirement systems, the State of Alaska Supplemental Annuity Plan, and the deferred compensation program for state employees. Consistent with standards of prudence, the board has the fiduciary obligation to manage and invest these assets in a manner that is sufficient to meet the liabilities and pension obligations of the systems, plan, and program. The board may, with the approval of the commissioner of revenue and upon agreement with the responsible fiduciary, manage and invest other state funds so long as the activity does not interfere with the board's primary mission. In making investments, the board shall exercise the powers and duties of a fiduciary of a state fund under AS 37.10.071.

(b) The Alaska Retirement Management Board consists of nine trustees, as follows:

(1) two members, consisting of the commissioner of administration and the commissioner of revenue;

(2) seven trustees appointed by the governor who meet the eligibility requirements for an Alaska permanent fund dividend and who are professionally credentialed or have recognized competence in investment management, finance, banking, economics, accounting, pension administration, or actuarial analysis as follows:

(A) one trustee who is a member of the general public; the trustee appointed under this subparagraph may not hold another state office, position, or employment and may not be a member or beneficiary of a retirement system managed by the board;

(B) one trustee who is employed as a finance officer for a political subdivision participating in the public employees' retirement system;

(C) one trustee who is employed as a finance officer for a political subdivision participating in the teachers' retirement system;

(D) two of whom are members of the public employees' retirement system selected from a list of nominees submitted by public employees' retirement system bargaining units; and

- (E) two of whom are members of the teachers' retirement system selected from a list of nominees submitted by the teachers' retirement system bargaining units; and
- (c) The trustees, other than the two commissioners, shall serve for staggered terms of six years and may be reappointed or elected to the board for a total of two consecutive terms. A person who has served two consecutive terms may not be reappointed to the board for at least one year.
- (d) The governor may, by written notice to the trustee, remove an appointed trustee for cause. After an appointed trustee receives written notice of removal, the trustee may not participate in board business and may not be counted for purposes of establishing a quorum.
- (e) A vacancy on the board of trustees shall be promptly filled. A person filling a vacancy holds office for the balance of the unexpired term of the person's predecessor, and the balance of the unexpired term served is not included in the three-term limitation under (c) of this section. A vacancy on the board does not impair the authority of a quorum of the board to exercise all the powers and perform all the duties of the board.
- (f) Five trustees constitute a quorum for the transaction of business and the exercise of the powers and duties of the board.
- (g) A trustee may not designate another person to serve on the board in the absence of the trustee.
- (h) The board shall provide annual training to its members on the duties and powers of a fiduciary of a state fund and other training as necessary to keep the members of the board educated about pension management and investment.
- (i) The board shall elect a trustee to serve as chair and a trustee to serve as vice-chair for one-year terms. A trustee may be reelected to serve additional terms as chair or vice-chair."

Insert new section to read:

"Sec. ____ AS 37.10.390 is amended to read:

Sec. 37.10.390. definitions. In AS 37.10.210 – 37.10.390, unless the context otherwise requires,

(1) "board" means the board of trustees of the Alaska Retirement Management [STATE PENSION INVESTMENT] Board;

(2) "fund" means the fund or funds composed of the assets of each of the retirement systems administered and managed by the board;

(3) "recognized competence" means a minimum of 10 years' professional experience working or teaching in the field of investment management, finance, banking, economics, accounting, pension administration, or actuarial analysis;

(4) "retirement systems" or "systems" means the teachers' retirement system, the judicial retirement system, the Alaska National Guard and Alaska Naval Militia retirement system, [AND] the public employees' retirement system, and the elected public officers' retirement system under former AS 39.37.

Withdrawn

AMENDMENT

25

TO BE OFFERED IN HOUSE FINANCE
TO HCSSB 141 (STA) \ "X"

BY REPRESENTATIVE

Page 1, line 1 through page 110, line 23

Delete all material.

Insert New Title:

"An Act relating to establishing the Alaska Retirement Review Task Force; and providing for an effective date."

The uncodified law of the State of Alaska is amended by adding a new section to read:

THE RETIREMENT REVIEW TASK FORCE: It is the intent of the Legislature to create a temporary task force to review the Alaska state retirement systems. The task force sunsets 30 days after the first day of the second regular legislative session following the effective date of this section.

(a) The panel shall be composed of

- (1) a member of the Teachers' Retirement System Board;
- (2) a member of the Public Employees' Retirement System Board;
- (3) a member of the Alaska State Pension Investment Board;
- (4) one senator selected by the minority in the senate;
- (5) one senator selected by the majority in the senate;
- (6) one representative selected by the minority in the house of representatives;
- (7) one representative selected by the majority in the house of representatives;
- (8) two people selected by the governor; and
- (9) two people selected by the governor from a list of union nominations.

(b) Each union representing at least 300 public employees who have as members employees who are beneficiaries of the Teachers' Retirement System (AS 14.25) or the Public Employees' Retirement System (AS 39.35) may submit the name of a person for consideration by the governor under (a) (9) of this section.

(c) The panel shall select a chair who shall conduct the meetings of the panel. Not later than the first day of the second regular session of the Twenty-Fourth Alaska State Legislature, the chair shall notify the revisor of statutes of the findings of the panel.

(d) The panel shall present a report to the legislature containing the task force's assessments and recommendations as provided in this section. The panel shall report to the legislature 120 days after all members are appointed to the board, or 15 days after the first day of the first regular legislative session following the effective date of this section, whichever is first. The report must include the panel's

- (1) preliminary assessment of the financial health of all public employees' retirement plans and all teachers' retirement plans;
- (2) assessment of the actuarial services purchased by board;
- (3) recommendations for additional legislative or administrative policy to improve the financial health of the retirement plans;

- (4) short-term and long-term recommendations for addressing the unfunded liability of the retirement plans; and
 - (5) recommendations for legislative procedures regarding fiscal notes for new legislation affecting the retirement plans.”
- (c)Members of the panel are entitled to transportation and per diem expenses for any meeting as provided in AS 39.20.180.

This Act takes effect immediately under AS 01.10.070(c)”

adopted

AMENDMENT

26

OFFERED IN THE FINANCE COMMITTEE

BY: Rep. Weyhrauch

TO: *SB 141 (STA)*

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*Page 77 lines 9 and 14
delete "120" and replace
with "100".*

AMENDMENT

27

OFFERED IN THE HOUSE

BY REPRESENTATIVE KELLY

TO: HCS CSSB 141(STA)

1 Page 11, following line 23:

2 Insert a new bill section to read:

3 **** Sec. 20.** AS 14.25.168(a) is repealed and reenacted to read:

4 (a) Except as provided in (c) of this section, the following persons are entitled
5 to major medical insurance coverage under this section:

6 (1) a teacher who is receiving a monthly benefit from the plan and who
7 has elected coverage;

8 (2) the spouse and dependent children of the person described in (1) of
9 this subsection;

10 (3) the surviving spouse of a deceased teacher who is receiving a
11 monthly benefit from the plan and who has elected coverage;

12 (4) the dependent children of a deceased teacher who are dependent on
13 the surviving spouse described in (3) of this subsection."
14

15 Renumber the following bill sections accordingly.
16

17 Page 79, following line 11:

18 Insert a new bill section to read:

19 **** Sec. 116.** AS 39.35.535(a) is repealed and reenacted to read:

20 (a) Except as provided in (d) of this section, the following persons are entitled
21 to major medical insurance coverage under this section:

22 (1) an employee who is receiving a monthly benefit from the plan and
23 who has elected coverage;

- 1 (2) the spouse and dependent children of the person described in (1) of
- 2 this subsection;
- 3 (3) the surviving spouse of a deceased employee who is receiving a
- 4 monthly benefit from the plan and who has elected coverage;
- 5 (4) the dependent children of a deceased employee who are dependent
- 6 on the surviving spouse described in (3) of this subsection."

7

8 Renumber the following bill sections accordingly.

9

10 Page 107, line 25:

11 Delete "sec. 59"

12 Insert "sec. 60"

13

14 Page 107, line 30:

15 Delete "sec. 59"

16 Insert "sec. 60"

17

18 Page 108, line 2:

19 Delete "sec. 59"

20 Insert "sec. 60"

21

22 Page 111, line 9, following "14.25.168":

23 Insert "(c)"

24

25 Page 111, line 20:

26 Delete "39.35.535(a),"

27

28 Page 112, line 4:

29 Delete "SECTIONS 140 AND 141"

30 Insert "SECTIONS 142 AND 143"

31

1 Page 112, line 5:

2 Delete "secs. 140 and 141"

3 Insert "secs. 142 and 143"

4

5 Page 112, line 7:

6 Delete " secs. 139 and 140"

7 Insert "secs. 141 and 142"

8

9 Page 112, line 8:

10 Delete "Sections 10, 11, 13, 14, 19, 87 - 92, 105, 112, and 131"

11 Insert "Sections 10, 11, 13, 14, 19, 88 - 93, 106, 113, and 133"

12

13 Page 112, line 10:

14 Delete "Section 142"

15 Insert "Section 144"

16

17 Page 112, line 11:

18 Delete " secs. 143 and 144 "

19 Insert "secs. 145 and 146"

5/1/05

24-LS0637X.18
Craver
5/1/05

new

adopted
AMENDMENT

27

OFFERED IN THE HOUSE
TO: HCS CSSB 141(STA)

BY REPRESENTATIVE KELLY

1 Page 11, following line 23.

2 Insert a new bill section to read:

3 "* Sec. 20. AS 14.25.168(a) is repealed and reenacted to read:

4 (a) Except as provided in (c) of this section, the following persons are entitled
5 to major medical insurance coverage under this section:

6 (1) for teachers first hired before July 1, 1990,

7 (A) a teacher who is receiving a monthly benefit from the plan
8 and who has elected coverage;

9 (B) the spouse and dependent children of the teacher described
10 in (A) of this paragraph;

11 (C) the surviving spouse of a deceased teacher who is receiving
12 a monthly benefit from the plan and who has elected coverage;

13 (D) the dependent children of a deceased teacher who are
14 dependent on the surviving spouse described in (C) of this paragraph;

15 (2) for teachers first hired on or after July 1, 1990,

16 (A) a teacher who is receiving a monthly benefit from the plan
17 and who has elected coverage for the teacher;

18 (B) the spouse of the teacher described in (A) of this paragraph
19 if the teacher elected coverage for the spouse;

20 (C) the dependent children of the teacher described in (A) of
21 this paragraph if the teacher elected coverage for the dependent children;

22 (D) the surviving spouse of a deceased teacher who is receiving
23 a monthly benefit from the plan and who has elected coverage;

1 (E) the dependent children of a deceased teacher who are
2 dependent on the surviving spouse described in (D) of this paragraph if the
3 surviving spouse has elected coverage for the dependent children."
4

5 Renumber the following bill sections accordingly.

6
7 Page 79, following line 11:

8 Insert a new bill section to read:

9 "* Sec. 116. AS 39.35.535(a) is repealed and reenacted to read:

10 (a) Except as provided in (d) of this section, the following persons are entitled
11 to major medical insurance coverage under this section:

12 (1) for employees first hired before July 1, 1986,

13 (A) an employee who is receiving a monthly benefit from the
14 plan and who has elected coverage;

15 (B) the spouse and dependent children of the employee
16 described in (A) of this paragraph;

17 (C) the surviving spouse of a deceased employee who is
18 receiving a monthly benefit from the plan and who has elected coverage;

19 (D) the dependent children of a deceased employee who are
20 dependent on the surviving spouse described in (C) of this paragraph;

21 (2) for members first hired on or after July 1, 1986,

22 (A) an employee who is receiving a monthly benefit from the
23 plan and who has elected coverage for the employee;

24 (B) the spouse of the employee described in (A) of this
25 paragraph if the employee elected coverage for the spouse;

26 (C) the dependent children of the employee described in (A) of
27 this paragraph if the employee elected coverage for the dependent children;

28 (D) the surviving spouse of a deceased employee who is
29 receiving a monthly benefit from the plan and who has elected coverage;

30 (E) the dependent children of a deceased employee who are
31 dependent on the surviving spouse described in (D) of this paragraph if the

1 surviving spouse has elected coverage for the dependent children."

2

3 Renumber the following bill sections accordingly.

4

5 Page 107, line 25:

6 Delete "sec. 59"

7 Insert "sec. 60"

8

9 Page 107, line 30:

10 Delete "sec. 59"

11 Insert "sec. 60"

12

13 Page 108, line 2:

14 Delete "sec. 59"

15 Insert "sec. 60"

16

17 Page 111, line 9:

18 Delete "14.25.168"

19 Insert "14.25.168(c)"

20

21 Page 111, line 20:

22 Delete "39.35.535(a),"

23

24 Page 112, line 4:

25 Delete "SECTIONS 140 AND 141"

26 Insert "SECTIONS 142 AND 143"

27

28 Page 112, line 5:

29 Delete "secs. 140 and 141"

30 Insert "secs. 142 and 143"

31

1 Page 112, lines 6 - 7:

2 Delete "secs. 139 and 140"

3 Insert "secs. 142 and 143"

4

5 Page 112, following line 7:

6 Insert a new bill section to read:

7 "* Sec. 145. Sections 20 and 116 of this Act take effect January 1, 2006."

8

9 Renumber the following bill sections accordingly.

10

11 Page 112, line 8:

12 Delete "Sections 10, 11, 13, 14, 19, 87 - 92, 105, 112, and 131"

13 Insert "Sections 10, 11, 13, 14, 19, 88 - 93, 106, 113, and 133"

14

15 Page 112, line 10:

16 Delete "Section 142"

17 Insert "Section 144"

18

19 Page 112, line 11:

20 Delete " secs. 143 and 144 "

21 Insert "secs. 145 - 147"

5/1/05

adopted N/O

AMENDMENT

28

OFFERED IN THE FINANCE COMMITTEE

BY: Rep. Weyhrauch

TO: SB 141 (Fin)

1 Add to Page 49

2 New subsection(4)

3 assist
" in

4 prescribing ~~the~~ policies for the
5 proper operation of the system
6 and carry on other

7 activities that are considered

8 necessary to carry out the

9 intent and purpose of

10 the system in accordance

11 with this chapter; "

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SB 141
Amendment 28

Adopted

By Weyhrauch

Add to Page 49

New subsection (4):

Assist in prescribing the polices for the proper operation of the system and carry on other activities that are considered necessary to carry out the intent and purpose of the system in accordance with this chapter;"

Renumber accordingly.

Failed 5-6 5/1/05

Amendment 29

24-L80883-A

Hawker

~~HOUSE BILL NO. 278~~

~~IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FOURTH LEGISLATURE - FIRST SESSION~~

~~BY REPRESENTATIVE HAWKER~~

~~Introduced: 4/19/05
Referred: State Affairs, Finance~~

Conceptual Amendment to
SB 141

~~A BILL~~

~~FOR AN ACT ENTITLED~~

Title Amendment:

1 "An Act relating to the Alaska Municipal Bond Bank Authority; permitting the Alaska
2 Municipal Bond Bank Authority or a subsidiary of the authority to assist state and
3 municipal governmental employers by issuing bonds and other commercial paper to
4 enable the governmental employers to prepay all or a portion of the governmental
5 employers' shares of the unfunded accrued actuarial liabilities of retirement systems
6 and authorizing governmental employers to contract with and to issue bonds, notes, or
7 commercial paper to the authority or its subsidiary corporation for that purpose; and
8 providing for an effective date."

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

New Sections Added

10 * Section 1. AS 44.85.010 is amended to read:

11 Sec. 44.85.010. Legislative policy. (a) It is the policy of the state to

12 (1) [TO] foster and promote by all reasonable means the provision of

1 adequate capital markets and facilities for borrowing money by municipalities in the
2 state to finance capital improvements or for other authorized purposes, to assist these
3 municipalities in fulfilling their capital needs and requirements by use of borrowed
4 money within statutory interest rate or cost of borrowing limitations, to the greatest
5 extent possible to reduce costs of borrowed money to taxpayers and residents of the
6 state, and equally to encourage continued investor interest in the purchase of bonds or
7 notes of municipalities as sound and preferred securities for investment;

8 (2) [TO] encourage municipalities to continue their independent
9 undertakings and financing of capital improvements and other authorized purposes
10 and to assist them by making capital funds available at reduced interest costs for
11 orderly financing of capital improvements and other purposes especially during
12 periods of restricted credit or money supply, particularly for those municipalities not
13 otherwise able to borrow for capital needs:

14 (3) [TO] assist municipalities to provide for adequate insurance
15 coverage by authorizing the Alaska Municipal Bond Bank Authority to issue
16 negotiable or nonnegotiable revenue bonds, notes, or certificates of participation either
17 directly or through an entity it may create for the purpose of providing a self-insurance
18 program for municipalities or municipal joint insurance arrangements organized under
19 AS 21.76;

20 (4) assist governmental employers to prepay all or a portion of
21 their share of unfunded accrued actuarial liabilities of retirement systems in an
22 effort to reduce their costs of satisfying their contractual obligations to provide
23 retirement and other benefits to public employees through the issuance of bonds,
24 notes, or commercial paper by the bond bank authority or by a subsidiary
25 corporation created by the bond bank authority under AS 44.85.085.

26 (b) The legislature further declares that

27 (1) the exercise of the powers of the state in the interest of its
28 municipalities and in the interest of public employees of the state and of its
29 municipalities is required to further and implement the policies declared in (a) of this
30 section by authorizing the creation of a state bond bank authority as a body corporate
31 and politic that will have full powers to borrow money and to issue its bonds and notes

1 to make capital funds available for borrowing by municipalities and for borrowing
 2 by or on behalf of governmental employers, by authorizing governmental
 3 employers to contract with the bond bank authority or with a subsidiary created
 4 under AS 44.85.085 for the purpose of reducing future costs of providing
 5 retirement and other benefits to employees, and by granting broad powers to the
 6 bond bank authority to carry out the declared policies, which are in the public interest
 7 of the state and its taxpayers and residents;

8 (2) state funds should be applied or authorized to be paid to a state
 9 bond bank authority only to provide adequate assurance and security to the holders of
 10 the bonds or notes of the bond bank authority;

11 (3) the bond bank authority should conduct its operations to provide
 12 the lowest rates in terms of borrowing to municipalities and to governmental
 13 employers as is consistent with a self-supporting operation with no expectation of
 14 subsidization with state funds; the legislature does not intend that the bond bank
 15 authority be utilized as a means to finance municipalities or governmental employers
 16 beyond their capability to meet repayment schedules and debt service requirements of
 17 bonds, notes, commercial paper, or contractual obligations to the bond bank
 18 authority [OR NOTES].

19 * Sec. 2. AS 44.85.080 is amended to read:

20 Sec. 44.85.080. Powers of bond bank authority. The bond bank authority
 21 may

22 (1) sue and be sued;

23 (2) adopt and alter an official seal;

24 (3) make and enforce bylaws and regulations for the conduct of its
 25 business and for the use of its services and facilities;

26 (4) maintain an office at any place in the state;

27 (5) acquire, hold, use, and dispose of its income, revenues, funds, and
 28 money;

29 (6) acquire, rent, lease, hold, use, and dispose of other personal
 30 property for its purposes;

31 (7) subject to AS 44.85.100(b), borrow money and issue its negotiable

1 bonds or notes and provide for and secure their payment, provide for the rights of their
2 holders and purchase, hold and dispose of any of its bonds or notes;

3 (8) fix and revise from time to time and charge and collect fees and
4 charges for the use of its services or facilities;

5 (9) accept gifts or grants from the United States, or from any
6 governmental unit or person, firm, or corporation, carry out the terms or provisions or
7 make agreements with respect to the gifts or grants, and do all things necessary,
8 useful, desirable, or convenient in connection with procuring, accepting, or disposing
9 of the gifts or grants;

10 (10) do anything authorized by this chapter, through its officers,
11 agents, or employees or by contracts with a person;

12 (11) make, enter into, and enforce all contracts necessary, convenient,
13 or desirable for the purposes of the bond bank authority or pertaining to a loan to a
14 political subdivision, a purchase or sale of municipal bonds or other investments, or
15 the performance of its duties and execution of any of its powers under this chapter;

16 (12) purchase or hold municipal bonds at prices and in a manner the
17 bond bank authority considers advisable, and sell municipal bonds acquired or held by
18 it at prices without relation to cost and in a manner the bond bank authority considers
19 advisable;

20 (13) invest funds or money of the bond bank authority not required at
21 the time of investment for loan to political subdivisions for the purchase of municipal
22 bonds, in the same manner as permitted for investment of funds belonging to the state,
23 except as otherwise provided in this chapter;

24 (14) prescribe the form of application or procedure required of a
25 political subdivision for a loan or purchase of its municipal bonds, fix the terms and
26 conditions of the loan or purchase, and enter into agreements with political
27 subdivisions with respect to loans or purchases;

28 (15) render services to a political subdivision in connection with a
29 public or private sale of its municipal bonds, including advisory and other services,
30 and charge for services rendered;

31 (16) charge for its costs and services in review or consideration of a

1 proposed loan to a political subdivision or purchase by the bond bank authority of
 2 municipal bonds of the political subdivision, whether or not the loan is made or the
 3 municipal bonds purchased:

4 (17) fix and establish terms and provisions with respect to a purchase
 5 of municipal bonds by the bond bank authority, including date and maturities of the
 6 bonds, provisions as to redemption or payment before maturity, and any other matters
 7 which in connection with the purchase are necessary, desirable, or advisable in the
 8 judgment of the bond bank authority;

9 (18) procure insurance against any losses in connection with its
 10 property, operations, or assets in amounts and from insurers as it considers desirable;

11 (19) to the extent permitted under its contracts with the holders of
 12 bonds or notes of the bond bank authority, consent to modification of the rate of
 13 interest, time and payment of installment of principal or interest, security or any other
 14 term of a bond or note, contract or agreement of any kind to which the bond bank
 15 authority is a party;

16 (20) by regulation, create a new entity or new entities for the purpose
 17 of issuing negotiable or nonnegotiable revenue bonds, notes, or certificates of
 18 participation to finance a self-insurance program for municipalities or municipal joint
 19 insurance arrangements organized under AS 21.76 or to provide assistance to
 20 governmental employers under AS 44.85.085(a); the powers, duties, and
 21 membership of the new entity or entities shall be limited to the powers, duties, and
 22 membership of the authority and stated in the regulation; the new entity or entities
 23 shall each be a public corporation and an instrumentality of the state with the same
 24 legal existence and continuing succession as the bond bank authority; and

25 (21) do all acts and things necessary, convenient, or desirable to carry
 26 out the powers expressly granted or necessarily implied in this chapter.

27 * Sec. 3. AS 44.85 is amended by adding new sections to read:

28 Sec. 44.85.085. Creation of subsidiary corporation. (a) The bond bank
 29 authority may create one or more subsidiary corporations for the following purposes:

30 (1) providing financial and other assistance to governmental employers
 31 to enable the governmental employers to reduce their costs of providing retirement

1 and other benefits to their employees by prepaying all or a portion of their shares of
 2 the unfunded accrued actuarial liabilities of retirement systems:

3 (2) receiving payments and providing servicing for payments to or
 4 from participating governmental employers; and

5 (3) performing other duties and providing other services as the
 6 subsidiary corporation considers necessary or desirable to further the purposes set out
 7 in (1) and (2) of this subsection

8 (b) The bond bank authority may incorporate under AS 10.20.146 - 10.20.166
 9 a subsidiary corporation created under (a) of this section. The bond bank authority
 10 may transfer assets of the bond bank authority to the subsidiary corporation and may
 11 agree to secure bonds, notes, commercial paper, or other obligations of the subsidiary
 12 corporation with a reserve fund established under AS 44.85.270.

13 (c) A subsidiary corporation created under (a) of this section may borrow
 14 money and issue bonds, notes, commercial paper, or other obligations as evidence of
 15 that borrowing and may have all the powers of the bond bank authority that the bond
 16 bank authority grants to it. The provisions of AS 44.85.130 - 44.85.170 and 44.85.270
 17 - 44.85.390 apply to the subsidiary corporation and to bonds, notes, commercial paper,
 18 or other obligations issued by the subsidiary corporation. Unless otherwise provided
 19 by the bond bank authority, the debts, liabilities, and obligations of the subsidiary
 20 corporation are not the debts, liabilities, or obligations of the bond bank authority.

21 (d) The staff of the bond bank authority serves as staff of a subsidiary
 22 corporation created under (a) of this section. The bond bank authority shall determine
 23 the membership or the process for selecting the membership of the board of directors
 24 of the subsidiary corporation. The bond bank authority may permit some or all of its
 25 directors to serve on the board of directors of the subsidiary corporation.

26 **Sec. 44.85.086. Powers of subsidiary corporation.** A subsidiary corporation
 27 created under AS 44.85.085 has the following powers in addition those granted to it
 28 under AS 44.85.085(c):

29 (1) to make loans to and enter into contracts with governmental
 30 employers;

31 (2) to incur debt in furtherance of its purposes in the form of bonds,

1 notes, commercial paper, or other forms as the subsidiary corporation considers
2 appropriate;

3 (3) to secure its debt with a pledge of any assets that are available to
4 the subsidiary corporation for the purpose, including identified revenue and
5 contractual payments from participating governmental employers, and the general
6 assets and revenue of the subsidiary corporation; and

7 (4) to enter into contracts with underwriters, bond counsel, financial
8 advisors, accountants, actuaries, and other contractors to provide assistance as the
9 subsidiary corporation considers desirable to accomplish its purposes.

10 * Sec. 4. AS 44.85.100(b) is amended to read:

11 (b) The bond bank authority shall include in the report required by (a) of this
12 section an estimate of the amount of revenue bonds of the bond bank authority to be
13 issued during the fiscal year following the fiscal year in which the report is submitted.
14 Other than refunding bonds and other than bonds, notes, commercial paper, or
15 other obligations issued under AS 44.85.086 and 44.85.180(a)(5), the [THE] bond
16 bank authority may not issue revenue bonds [, OTHER THAN REFUNDING
17 BONDS,] in excess of \$75,000,000 during any fiscal year beginning after June 30,
18 1981, unless the legislature, by law, approves the estimate required by this subsection
19 for that fiscal year.

20 * Sec. 5. AS 44.85.180(a) is amended to read:

21 (a) Subject to AS 44.85.100(b), the bond bank authority may issue its bonds or
22 notes in principal amounts that it considers necessary to provide funds for any
23 purposes under this chapter, including

24 (1) the purchase of municipal bonds;

25 (2) the making of loans through the purchase of municipal bonds,
26 notes, or certificates of participation secured by an agreement between the bond bank
27 authority and a municipality or a municipal joint insurance arrangement organized
28 under AS 21.76;

29 (3) the payment, funding, or refunding of the principal of, or interest or
30 redemption premiums on, bonds or notes issued by it whether the bonds or notes or
31 interest to be funded or refunded have or have not become due;

1 (4) the establishment or increase of reserves to secure or to pay bonds
 2 or notes or interest on bonds or notes and all other costs or expenses of the bond bank
 3 authority incident to and necessary or convenient to carry out its corporate purposes
 4 and powers;

5 (5) assisting governmental employers to prepay all or a portion of
 6 their share of the unfunded accrued actuarial liabilities of retirement systems,
 7 with security as the bond bank authority considers reasonable.

8 * Sec. 6. AS 44.85.180(c) is amended to read:

9 (c) Notwithstanding the provisions of (a) and (b) of this section, the total
 10 amount of bond bank authority bonds and notes outstanding at any one time [,
 11 EXCEPT BONDS OR NOTES ISSUED TO FUND OR REFUND BONDS OR
 12 NOTES,] may not exceed \$500,000,000. This subsection does not apply to (1)
 13 bonds or notes issued to fund or refund bonds or notes; (2) bonds, notes,
 14 commercial paper, and other obligations issued under AS 44.85.086 or
 15 44.85.180(a)(5).

16 * Sec. 7. AS 44.85.410(a)(5) is amended by adding a new paragraph to read:

17 (8) "governmental employer" means the State of Alaska or a
 18 municipality or other state or municipal governmental entity within the state, including
 19 an agency, instrumentality, district, school district, public corporation, depart ment,
 20 division, or other subdivision of the state or of a municipality, in its capacity as an
 21 employer.

22 ~~* Sec. 8. This act takes effect immediately under AS 01.10.070(c).~~