

SB

141

(FILE 1)

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FILE

SENATE FINANCE COMMITTEE REPORT
First Committee of Referral

REPORTED OUT

 APR 06 2005

 SENATE FINANCE
 COMMITTEE

DATE: 3/14/05

FURTHER:

Date of 5-Day Notice: _____
 (in accordance with Uniform Rule 23)

DATE TURNED
 IN TO OFFICE: 7 April 2005

Finance Committee considered **SENATE BILL NO. 141**

SB 141 PUBLIC EMPLOYEE/TEACHER RETIREMENT

"An Act relating to the teachers' and public employees' retirement systems and creating defined contribution and health reimbursement plans for members of the teachers' retirement system and the public employees' retirement system who are first hired after July 1, 2005; 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; adding appeals of the decisions of the administrator of the teachers' and public employees' retirement systems to the jurisdiction of the office of administrative hearings; and providing for an effective date."

and recommends:

- be replaced with _____ CS SB 141 (FIN)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:	
<input type="checkbox"/>	Same Title
<input checked="" type="checkbox"/>	New Title
House Bill:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

NEW FISCAL NOTE(S):

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#
Admin. Hearings	3/29/05	116.0			
Admin. U R & B	4/5/05	936.5			
REV #1 TREASURY	4/5/05	214.5			
REV #2U ASPIB	4/5/05	(4,144.4)			
REV #3 ARMB	4/5/05	4,734.6			

Department	Date	Fiscal	Ind.	Zero	FN#

Rev #4 4/5/05 (31,913.6)
 St. Custody Fees
 Rev #5 4/5/05 31,913.6
 ARM Fees

Admin. (Sen Fin.) 3/17/05
 \$69,531.8 (Fund Cap)

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	No REC	AMEND
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>		✓		
<i>[Signature]</i>				✓
<i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			

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APR 06 2005

SENATE FINANCE
COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SB141
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue #1
Title An Act relating to the teachers' and public RDU Taxation & Treasury
employees' retirement systems Component Treasury Division
Sponsor Finance
Requester _____ Component No. 121

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services	214.5	214.5	214.5	214.5	214.5	214.5
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	214.5	214.5	214.5	214.5	214.5	214.5

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						0.0
1005 GF/Program Receipts						
1017 Benefit Systems (SBS/DC)						0.0
IA from Alaska Retirement Mgmt Board	214.5	214.5	214.5	214.5	214.5	214.5
TOTAL	214.5	214.5	214.5	214.5	214.5	214.5

Estimate of any current year (FY2005) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time	3	3	3	3	3	3
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See attached analysis

Prepared by: Betsy Martin, Comptroller Phone: 465-2352
Division: Treasury Date/Time: 4/5/05 3:28 PM
Approved by: Tom Boulin, Deputy Commissioner Date: 4/5/2005
Agency: Department of Revenue

SB141 creates a new 9 member Alaska Retirement Management (ARM) Board and replaces the current 8 member Alaska State Pension Investment Board (ASPIB) staffed by the Treasury Division. It also creates a defined contribution plan with employee and employer contributions, a separate defined benefit health fund and a health care reimbursement trust. Funds currently budgeted under the ASPIB will be transferred to the new board. A summary of the fiscal notes follows.

Summary of Fiscal Notes	FY06	FY07	FY08	FY09	FY10	FY11
Treasury Division fiscal note #1	214.5	214.5	214.5	214.5	214.5	214.5
Alaska State Pension Investment Board fiscal note #2	-4,144.4	-4,144.4	-4,144.4	-4,144.4	-4,144.4	-4,144.4
ARM Board fiscal note #3	4,734.6	4,410.6	4,410.6	4,410.6	4,410.6	4,410.6
ASPIB Custody and Management Fees fiscal note #4	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6
ARM Board Custody and Management Fees fiscal note #5	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6
Total	801.7	480.7	480.7	480.7	480.7	480.7
Back out 1A between the two components ¹	-214.5	-214.5	-214.5	-214.5	-214.5	-214.5
SB241 Total incremental costs	590.2	266.2	266.2	266.2	266.2	266.2

Note 1: Currently 100% of the Treasury Division's personal services costs are included in the Treasury Division component under personal services. These incremental costs are included in the new ARM budget (as in the prior ASPIB budget as a contractual expense). Simply adding the two budgets would double count this amount.

The following table shows the breakdown of incremental costs by budget category. Following are discussed the assumptions we have made and how these total costs have been allocated between fiscal note 1 and 3.

	FY06	FY07	FY08	FY09	FY10	FY11
Personal Services	214.5	214.5	214.5	214.5	214.5	214.5
Travel	23.9	12.0	12.0	12.0	12.0	12.0
Contractual	377.3	39.2	39.2	39.2	39.2	39.2
Supplies	14.5	.5	.5	.5	.5	.5
SB141 Total incremental costs	590.2	266.2	266.2	266.2	266.2	266.2

Assumptions:

Following are the assumptions used in arriving at the estimate of the incremental costs of SB141.

1. A new defined contribution plan will have a similar number and type of options as the current Supplement Benefits System. All options would be available on day one of the new plan. A plan similar to SBS will result in the hire of approximately 6 managers and the establishment of over 30 additional safekeeping accounts at the custodial bank and associated accounting records.
2. There is a need to add 2 additional professional and 1 additional technical staff to include a State Investment Officer II, an Accountant IV and an Accounting Technician III. The total cost included in the fiscal notes per year of these staff is \$214.5.
3. Funding for one extra board meeting in the first year for the new board to organize and receive start-up training as well as funding to reflect 1 additional board member traveling (current budget includes 8 existing members).

4. The costs of computers, office equipment and office space reconfiguration is included in year one for the new staff. In all years funding is included for training, investment software subscriptions (Bloomberg, Yieldbook, S&P and Moody's rating services) and miscellaneous supplies for new staff.
5. In year one, the cost for the external consultant to assist the board in selecting 6 new managers. The current contract cost for manager searches is \$30.0 per search.
6. The costs of an external consultant to calculate performance of the funds quarterly. Costs are expected to be \$30.0 year based on the current contract.
7. In FY2006 \$100.0 to cover the costs of an independent audit review of the performance consultant. It is a requirement in SB141 that this contractor be audited. We expect that audit to occur every 4 to 5 years after the initial audit review.
8. There is a \$40.0 reduction in current costs associated with the election of members as the new board will be appointed by the governor.

Treasury Division fiscal note #1

The Treasury Division's fiscal note includes \$214.5 each year for personal services. There are economies of scale in managing investments. However, the new funds created by Senate Bill 141 would require considerable additional responsibilities. If the number of options paralleled the existing SBS Plan, that would translate to 13 new manager accounts, 34 new custodial accounts and 4 new sets of monthly financial statements with annual audit requirements. The Department of Revenue currently manages a large number of funds with a limited investment and back office staff. In order to prudently meet the prospective demands of Senate Bill 141, Treasury would need to hire an additional investment staff and 2 middle back office staff.

Background

Prudent and productive management of investments is a resource intensive process. Managing a modern portfolio is a broad responsibility which requires significant expertise and high attention to detail.

Investment management responsibilities include designing investment policy guidelines, developing custom asset allocations, conducting investment manager searches, performing investment manager due diligence, negotiating and contracting with prospective managers, managing investment manager relationships, performing periodic portfolio rebalancing, monitoring and evaluating investment performance, presenting and consulting with oversight organizations, and following developments in investment research and analytic tools.

In addition, investment management requires a significant interface with back and middle office functions including fund accounting and audit, managing custody and brokerage relationships, cash management, securities lending, safeguarding assets, and compliance monitoring.

Senate Bill 141 would create the equivalent of four new funds to manage: the Employee Defined Contribution Accounts, the Employer Vesting Accounts, the Medical Program Fund, and the Health Reimbursement Arrangement Trust.

The Employee Defined Contribution Accounts would likely offer employees a reasonably wide range of investment options. As a comparison, the Supplemental Benefits System offers a suite of 6 target or life-style funds and 8 separate asset class funds for a total of 14 options that participants may select from. Deciding on the mix of investment styles to offer, searching for and hiring investment managers, and evaluating and reporting on investment manager performance would be a considerable on-going undertaking.

While Treasury may realize fee economies from existing investment relationships, it is unlikely that the contributions in this account can be commingled with existing accounts. That means that there would be a completely new set of accounts for custodial and accounting purposes.

The Employer Vesting Accounts, the Medical Program Fund, and the Health Reimbursement Arrangement Trust would all likely call for separate custom asset allocations. All three would individually require evaluation, reporting, and periodic portfolio rebalancing. They would also require separate custodial and accounting records including monthly financial reporting and audits.

There is likely to be an additional consequence of the change to a defined contribution plan. Currently there is a population of participants in SBS and Deferred Compensation that monitor their accounts daily. They often have questions whenever there are apparent anomalies in the change in the daily prices of the options. As a general rule, we would say that members of a defined benefit plan are not as price sensitive. The new plan will greatly increase the number of individuals who are monitoring on-line data on a daily basis. This will correlate directly to an increase in the amount of time we spend answering questions.

Alaska State Pension Investment Board fiscal note #2

Alaska Retirement Management Board fiscal note #3

Fiscal note #2 transfers the existing ASPIB budgeted funding to the new ARM board. This fiscal note also includes the ARM board's share of costs expected due to the implementation of SB141.

	FY06	FY07	FY08	FY09	FY10	FY11
ASPIB budgeted funding fiscal note	4,144.4	4,144.4	4,144.4	4,144.4	4,144.4	4,144.4
Incremental costs from SB141	590.2	266.2	266.2	266.2	266.2	266.2
Total costs on fiscal note #3	4,734.6	4,410.6	4,410.6	4,410.6	4,410.6	4,410.6

Total first year costs in fiscal note #3 include \$180.0 for manager selection; \$100.0 for an audit of the board's performance consultant (this audit is a new requirement of SB141. It does not have to occur in the first year, but once done we would expect it to occur every 4 to 5 years.); \$15.0 associated with one additional meeting for organizing and educating the new board members; and, \$29.0 for computers and the office setup for the new positions. These total start-up costs are \$324.0.

On-going costs include interagency chargeback to the ARM for the costs of the 3 new positions totaling \$214.5, travel for the additional board member (the current board has 8 members versus the new board with 9 members) as well as increased due diligence of the new fund managers and training for the new staff in the amount of \$13.0, \$48.7 for the ongoing cost of phones, information technology charge backs, supplies and investment subscription services for the new staff (these include Bloomberg, Yieldbook, S&P and Moody's and Tralweb), a \$-40.0 reduction in current cost as elections will be eliminated; \$30.0 per year for the calculation of the new funds' performance by an external consultant. These total on-going costs are \$266.2.

State Pension Custody and Management Fees #4
Alaska Retirement Management Board Fees #5

Fiscal note #4 transfers the budgeted funding of the State Pension Custody and Management Fees to a new Alaska Retirement Management Board Fees component (fiscal note #5) in the Department of Revenue for the new ARM Board. This component includes the investment management and custody costs of the existing defined benefit plans and will not be impacted in the foreseeable future by SB141. Please note that in a defined contribution plan, invest manager fees and custodian costs are deducted from the individual accounts daily (through an adjustment to the per share price of the investments). These costs are not included in the Department's budget.

	FY06	FY07	FY08	FY09	FY10	FY11
ASPIB Custody and Management Fees fiscal note #4	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6
ARM Board Custody and Management Fees fiscal note #5	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6

APR 06 2005

SENATE FINANCE
COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SB141
(j) Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue #2
Title: An Act relating to the teachers' and public RDU: Taxation & Treasury
employees' retirement systems Component: Alaska State Pension
Sponsor: Finance Component No.: 1961
Requester: _____

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel	(127.9)	(127.9)	(127.9)	(127.9)	(127.9)	(127.9)
Contractual	(3,896.5)	(3,896.5)	(3,896.5)	(3,896.5)	(3,896.5)	(3,896.5)
Supplies	(50.0)	(50.0)	(50.0)	(50.0)	(50.0)	(50.0)
Equipment	(70.0)	(70.0)	(70.0)	(70.0)	(70.0)	(70.0)
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	(4,144.4)	(4,144.4)	(4,144.4)	(4,144.4)	(4,144.4)	(4,144.4)

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1029 PERS Retirement	(2,553.5)	(2,553.5)	(2,553.5)	(2,553.5)	(2,553.5)	(2,553.5)
1034 Teachers Retirement	(1,277.3)	(1,277.3)	(1,277.3)	(1,277.3)	(1,277.3)	(1,277.3)
1042 Judicial Retirement	(31.6)	(31.6)	(31.6)	(31.6)	(31.6)	(31.6)
1045 National Guard Retirement	(83.0)	(83.0)	(83.0)	(83.0)	(83.0)	(83.0)
1017 Benefits Systems (SBS/DC)	(199.0)	(199.0)	(199.0)	(199.0)	(199.0)	(199.0)
Other (Specify Type--Do not abbreviate)						
TOTAL	(4,144.4)	(4,144.4)	(4,144.4)	(4,144.4)	(4,144.4)	(4,144.4)

Estimate of any current year (FY2005) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See attached analysis.

Prepared by: Betty Martin, Comptroller
Division: Treasury
Approved by: Tom Boutin, Deputy Commissioner
Agency: Department of Revenue

Phone: 465-2352
Date/Time: 4/5/05 3:28 PM
Date: 4/5/05

SB141 creates a new 9 member Alaska Retirement Management (ARM) Board and replaces the current 8 member Alaska State Pension Investment Board (ASPIB) staffed by the Treasury Division. It also creates a defined contribution plan with employee and employer contributions, a separate defined benefit health fund and a health care reimbursement trust. Funds currently budgeted under the ASPIB will be transferred to the new board. A summary of the fiscal notes follows.

Summary of Fiscal Notes	FY06	FY07	FY08	FY09	FY10	FY11
Treasury Division fiscal note #1	214.5	214.5	214.5	214.5	214.5	214.5
Alaska State Pension Investment Board fiscal note #2	-4,144.4	-4,144.4	-4,144.4	-4,144.4	-4,144.4	-4,144.4
ARM Board fiscal note #3	4,734.6	4,410.6	4,410.6	4,410.6	4,410.6	4,410.6
ASPIB Custody and Management Fees fiscal note #4	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6
ARM Board Custody and Management Fees fiscal note #5	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6
Total	804.7	480.7	480.7	480.7	480.7	480.7
Back out 1% between the two components ¹	-214.5	-214.5	-214.5	-214.5	-214.5	-214.5
SB141 Total incremental costs	590.2	266.2	266.2	266.2	266.2	266.2

Note 1: Currently 100% of the Treasury Division's personal services costs are included in the Treasury Division component under personal services. These incremental costs are included in the new ARM budget (as in the prior ASPIB budget as a contractual expense). Simply adding the two budgets would double count this amount.

The following table shows the breakdown of incremental costs by budget category. Following are discussed the assumptions we have made and how these total costs have been allocated between fiscal note 1 and 3.

	FY06	FY07	FY08	FY09	FY10	FY11
Personal Services	214.5	214.5	214.5	214.5	214.5	214.5
Travel	23.0	12.0	12.0	12.0	12.0	12.0
Contractual	337.3	39.2	39.2	39.2	39.2	39.2
Supplies	14.5	.5	.5	.5	.5	.5
SB141 Total incremental costs	590.2	266.2	266.2	266.2	266.2	266.2

Assumptions:

Following are the assumptions used in arriving at the estimate of the incremental costs of SB141.

1. A new defined contribution plan will have a similar number and type of options as the current Supplement Benefits System. All options would be available on day one of the new plan. A plan similar to SBS will result in the hire of approximately 6 managers and the establishment of over 30 additional safekeeping accounts at the custodial bank and associated accounting records.
2. There is a need to add 2 additional professional and 1 additional technical staff to include a State Investment Officer II, an Accountant IV and an Accounting Technician III. The total cost included in the fiscal notes per year of these staff is \$214.5.
3. Funding for one extra board meeting in the first year for the new board to organize and receive start-up training as well as funding to reflect 1 additional board member traveling (current budget includes 8 existing members).

4. The costs of computers, office equipment and office space reconfiguration is included in year one for the new staff. In all years funding is included for training, investment software subscriptions (Bloomberg, Yieldbook, S&P and Moody's rating services) and miscellaneous supplies for new staff.
5. In year one, the cost for the external consultant to assist the board in selecting 6 new managers. The current contract cost for manager searches is \$30,0 per search.
6. The costs of an external consultant to calculate performance of the funds quarterly. Costs are expected to be \$30,0/year based on the current contract.
7. In FY2006 \$100,0 to cover the costs of an independent audit review of the performance consultant. It is a requirement in SB141 that this contractor be audited. We expect that audit to occur every 4 to 5 years after the initial audit review.
8. There is a \$40,0 reduction in current costs associated with the election of members as the new board will be appointed by the governor.

Treasury Division fiscal note #1

The Treasury Division's fiscal note includes \$214.5 each year for personal services. There are economies of scale in managing investments. However, the new funds created by Senate Bill 141 would require considerable additional responsibilities. If the number of options paralleled the existing SBS Plan, that would translate to 13 new manager accounts, 34 new custodial accounts and 4 new sets of monthly financial statements with annual audit requirements. The Department of Revenue currently manages a large number of funds with a limited investment and back office staff. In order to prudently meet the prospective demands of Senate Bill 141, Treasury would need to hire an additional investment staff and 2 middle back office staff.

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Alaska State Pension Investment Board fiscal note #2
Alaska Retirement Management Board fiscal note #3

Fiscal note #2 transfers the existing ASPIB budgeted funding to the new ARM board. This fiscal note also includes the ARM board's share of costs expected due to the implementation of SB141.

	FY06	FY07	FY08	FY09	FY10	FY11
ASPIB budgeted funding fiscal note	4,144.4	4,144.4	4,144.4	4,144.4	4,144.4	4,144.4
Incremental costs from SB141	596.2	266.2	266.2	266.2	266.2	266.2
Total costs on fiscal note #3	4,734.6	4,410.6	4,410.6	4,410.6	4,410.6	4,410.6

Total first year costs in fiscal note #3 include \$180.0 for manager selection; \$100.0 for an audit of the board's performance consultant (This audit is a new requirement of SB141. It does not have to occur in the first year, but once done we would expect it to occur every 4 to 5 years.); \$15.0 associated with one additional meeting for organizing and educating the new board members; and, \$29.0 for computers and the office setup for the new positions. These total start-up costs are \$324.0.

On-going costs include interagency chargeback to the ARM for the costs of the 3 new positions totaling \$214.5; travel for the additional board member (the current board has 8 members versus the new board with 9 members) as well as increased due diligence of the new fund managers and training for the new staff in the amount of \$13.0; \$45.7 for the ongoing cost of phones, information technology charge backs, supplies and investment subscription services for the new staff (these include Bloomberg, Yieldbook, S&P and Moody's, and TradeWeb), a \$-40.0 reduction in current cost as elections will be eliminated, \$30.0 per year for the calculation of the new funds' performance by an external consultant. These total on-going costs are \$266.2.

State Pension Custody and Management Fees #4
 Alaska Retirement Management Board Fees #5

Fiscal note #4 transfers the budgeted funding of the State Pension Custody and Management Fees to a new Alaska Retirement Management Board Fees component (fiscal note #5) in the Department of Revenue for the new ARM Board. This component includes the investment management and custody costs of the existing defined benefit plans and will not be impacted in the foreseeable future by SB141. Please note that in a defined contribution plan, invest manager fees and custodian costs are deducted from the individual accounts daily (through an adjustment to the per share price of the investments). These costs are not included in the Department's budget.

	FY06	FY07	FY08	FY09	FY10	FY11
ASPIB Custody and Management Fees fiscal note #4	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6
ARM Board Custody and Management Fees fiscal note #5	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6

REPORTED OUT

APR 06 2005

SENATE FINANCE
COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SB141
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue #3
Title An Act relating to the teachers' and public RDU Taxation & Treasury
employees' retirement systems Component Alaska Retirement Management
Sponsor Finance Board
Requester _____ Component No. _____

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services	214.5	214.5	214.5	214.5	214.5	214.5
Travel	23.9	12.0	12.0	12.0	12.0	12.0
Contractual	4,481.7	4,183.6	4,183.6	4,183.6	4,183.6	4,183.6
Supplies	14.5	0.5	0.5	0.5	0.5	0.5
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	4,734.6	4,410.6	4,410.6	4,410.6	4,410.6	4,410.6

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()				292.6	339.4	386.2
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FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
1029 FERS Retirement	2,553.5	2,553.5	2,553.5	2,553.5	2,553.5	2,553.5
1034 Teachers Retirement	1,277.3	1,277.3	1,277.3	1,277.3	1,277.3	1,277.3
1042 Judicial Retirement	31.6	31.6	31.6	31.6	31.6	31.6
1045 National Guard Retirement	83.0	83.0	83.0	83.0	83.0	83.0
1017 Benefits Systems (SES,DC)	199.0	199.0	398.6	352.1	265.6	465.2
1004 GF	590.2	266.2	65.6	133.1	199.6	0.0
TOTAL	4,734.6	4,410.6	4,410.6	4,410.6	4,410.6	4,410.6

Estimate of any current year (FY2005) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal.

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See attached analysis

Prepared by: Betty Martin, Comptroller Phone: 465-2352
Division: Treasury Date/Time: 4/5/05 3:28 PM
Approved by: Tom Boulin, Deputy Commissioner Date: 4/5/2005
Agency: Department of Revenue

SB141 creates a new 9 member Alaska Retirement Management (ARM) Board and replaces the current 8 member Alaska State Pension Investment Board (ASPIB) staffed by the Treasury Division. It also creates a defined contribution plan with employee and employer contributions, a separate defined benefit health fund and a health care reimbursement trust. Funds currently budgeted under the ASPIB will be transferred to the new board. A summary of the fiscal notes follows.

Summary of Fiscal Notes	FY06	FY07	FY08	FY09	FY10	FY11
Treasury Division fiscal note #1	214.5	214.5	214.5	214.5	214.5	214.5
Alaska State Pension Investment Board fiscal note #2	-4,144.4	-4,144.4	-4,144.4	-4,144.4	-4,144.4	-4,144.4
ARM Board fiscal note #3	4,734.6	4,410.6	4,410.6	4,410.6	4,410.6	4,410.6
ASPIB Custody and Management Fees fiscal note #4	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6
ARM Board Custody and Management Fees fiscal note #5	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6
Total	804.7	480.7	480.7	480.7	480.7	480.7
Back out 1A between the two components ¹	-214.5	-214.5	-214.5	-214.5	-214.5	-214.5
SB241 Total incremental costs	590.2	266.2	266.2	266.2	266.2	266.2

Note 1: Currently 100% of the Treasury Division's personal services costs are included in the Treasury Division component under personal services. These incremental costs are included in the new ARM budget (as in the prior ASPIB budget as a contractual expense). Simply adding the two budgets would double count this amount.

The following table shows the breakdown of incremental costs by budget category. Following are discussed the assumptions we have made and how these total costs have been allocated between fiscal note 1 and 3.

	FY06	FY07	FY08	FY09	FY10	FY11
Personal Services	214.5	214.5	214.5	214.5	214.5	214.5
Travel	23.9	12.0	12.0	12.0	12.0	12.0
Contractual	337.3	39.2	39.2	39.2	39.2	39.2
Supplies	14.5	.5	.5	.5	.5	.5
SB141 Total incremental costs	590.2	266.2	266.2	266.2	266.2	266.2

Assumptions:

Following are the assumptions used in arriving at the estimate of the incremental costs of SB141.

1. A new defined contribution plan will have a similar number and type of options as the current Supplement Benefits System. All options would be available on day one of the new plan. A plan similar to SB3 will result in the hire of approximately 6 managers and the establishment of over 30 additional safekeeping accounts at the custodial bank and associated accounting records.
2. There is a need to add 2 additional professional and 1 additional technical staff to include a State Investment Officer II, an Accountant IV and an Accounting Technician III. The total cost included in the fiscal notes per year of these staff is \$214.5.
3. Funding for one extra board meeting in the first year for the new board to organize and receive start-up training as well as funding to reflect 1 additional board member traveling (current budget includes 8 existing members).

4. The costs of computers, office equipment and office space reconfiguration is included in year one for the new staff. In all years funding is included for training, investment software subscriptions (Bloomberg, Yieldbook, S&P and Moody's rating services) and miscellaneous supplies for new staff.
5. In year one, the cost for the external consultant to assist the board in selecting 6 new managers. The current contract cost for manager searches is \$50.0 per search.
6. The costs of an external consultant to calculate performance of the funds quarterly. Costs are expected to be \$30.0/year based on the current contract.
7. In FY2006 \$100.0 to cover the costs of an independent audit review of the performance consultant. It is a requirement in SB141 that this contractor be audited. We expect that audit to occur every 4 to 5 years after the initial audit review.
8. There is a \$40.0 reduction in current costs associated with the election of members as the new board will be appointed by the governor.

Treasury Division fiscal note #1

The Treasury Division's fiscal note includes \$214.5 each year for personal services. There are economies of scale in managing investments. However, the new funds created by Senate Bill 141 would require considerable additional responsibilities. If the number of options paralleled the existing SBS Plan, that would translate to 13 new manager accounts, 34 new custodial accounts and 4 new sets of monthly financial statements with annual audit requirements. The Department of Revenue currently manages a large number of funds with a limited investment and back office staff. In order to prudently meet the prospective demands of Senate Bill 141, Treasury would need to hire an additional investment staff and 2 middle back office staff.

Background

Prudent and productive management of investments is a resource intensive process. Managing a modern portfolio is a broad responsibility which requires significant expertise and high attention to detail.

Investment management responsibilities include designing investment policy guidelines, developing custom asset allocations, conducting investment manager searches, performing investment manager due diligence, negotiating and contracting with prospective managers, managing investment manager relationships, performing periodic portfolio rebalancing, monitoring and evaluating investment performance, presenting and consulting with oversight organizations, and following developments in investment research and analytic tools.

In addition, investment management requires a significant interface with back and middle office functions including fund accounting and audit, managing custody and brokerage relationships, cash management, securities lending, safeguarding assets, and compliance monitoring.

Senate Bill 141 would create the equivalent of four new funds to manage: the Employee Defined Contribution Accounts, the Employer Vesting Accounts, the Medical Program Fund, and the Health Reimbursement Arrangement Trust.

The Employee Defined Contribution Accounts would likely offer employees a reasonably wide range of investment options. As a comparison, the Supplemental Benefits System offers a suite of 6 target or life-style funds and 8 separate asset class funds for a total of 14 options that participants may select from. Deciding on the mix of investment styles to offer, searching for and hiring investment managers, and evaluating and reporting on investment manager performance would be a considerable on-going undertaking.

While Treasury may realize fee economies from existing investment relationships, it is unlikely that the contributions in this account can be commingled with existing accounts. That means that there would be a completely new set of accounts for custodial and accounting purposes.

The Employer Vesting Accounts, the Medical Program Fund, and the Health Reimbursement Arrangement Trust would all likely call for separate custom asset allocations. All three would individually require evaluation, reporting, and periodic portfolio rebalancing. They would also require separate custodial and accounting records including monthly financial reporting and audits.

There is likely to be an additional consequence of the change to a defined contribution plan. Currently there is a population of participants in SBS and Deferred Compensation that monitor their accounts daily. They often have questions whenever there are apparent anomalies in the change in the daily prices of the options. As a general rule, we would say that members of a defined benefit plan are not as price sensitive. The new plan will greatly increase the number of individuals who are monitoring on-line data on a daily basis. This will correlate directly to an increase in the amount of time we spend answering questions.

Alaska State Pension Investment Board fiscal note #2

Alaska Retirement Management Board fiscal note #3

Fiscal note #2 transfers the existing ASPIB budgeted funding to the new ARM board. This fiscal note also includes the ARM board's share of costs expected due to the implementation of SB141.

	FY06	FY07	FY08	FY09	FY10	FY11
ASPIB budgeted funding fiscal note	4,144.4	4,144.4	4,144.4	4,144.4	4,144.4	4,144.4
Incremental costs from SB141	590.2	266.2	266.2	266.2	266.2	266.2
Total costs on fiscal note #3	4,734.6	4,410.6	4,410.6	4,410.6	4,410.6	4,410.6

Total first year costs in fiscal note #3 include \$180.0 for manager selection; \$100.0 for an audit of the board's performance consultant (This audit is a new requirement of SB141. It does not have to occur in the first year, but once done we would expect it to occur every 4 to 5 years.); \$15.0 associated with one additional meeting for organizing and educating the new board members; and, \$29.0 for computers and the office setup for the new positions. These total start-up costs are \$324.0.

Ongoing costs include interagency chargeback to the ARM for the costs of the 3 new positions totaling \$214.5, travel for the additional board member (the current board has 8 members versus the new board with 9 members) as well as increased due diligence of the new fund managers and training for the new staff in the amount of \$13.0, \$48.7 for the ongoing cost of phones, information technology charge backs, supplies and investment subscription services for the new staff (these include Bloomberg, Yieldbook, S&P and Moody's and Tradeweb); a \$40.0 reduction in current cost as elections will be eliminated; \$30.0 per year for the calculation of the new funds' performance by an external consultant. These total on-going costs are \$266.2.

State Pension Custody and Management Fees #4
Alaska Retirement Management Board Fees #5

Fiscal note #4 transfers the budgeted funding of the State Pension Custody and Management Fees to a new Alaska Retirement Management Board Fees component (fiscal note #5) in the Department of Revenue for the new ARM Board. This component includes the investment management and custody costs of the existing defined benefit plans and will not be impacted in the foreseeable future by SB141. Please note that in a defined contribution plan, invest manager fees and custodian costs are deducted from the individual accounts daily (through an adjustment to the per share price of the investments). These costs are not included in the Department's budget.

	FY06	FY07	FY08	FY09	FY10	FY11
ASPIB Custody and Management Fees fiscal note #4	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6
ARM Board Custody and Management Fees fiscal note #5	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6

APR 06 2005

SENATE FINANCE
COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SB141
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue #4
Title An Act relating to the teachers' and public RDU Taxation & Treasury
employees' retirement systems Component State Pension Custody and
Sponsor Finance Management Fees
Requester _____ Component No. 2311

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual	(31,913.6)	(31,913.6)	(31,913.6)	(31,913.6)	(31,913.6)	(31,913.6)
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	(31,913.6)	(31,913.6)	(31,913.6)	(31,913.6)	(31,913.6)	(31,913.6)

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1029 PERS Retirement	(20,692.8)	(20,692.8)	(20,692.8)	(20,692.8)	(20,692.8)	(20,692.8)
1034 Teachers Retirement	(10,760.9)	(10,760.9)	(10,760.9)	(10,760.9)	(10,760.9)	(10,760.9)
1042 Judicial Retirement	(328.4)	(328.4)	(328.4)	(328.4)	(328.4)	(328.4)
1045 National Guard Retirement	(131.5)	(131.5)	(131.5)	(131.5)	(131.5)	(131.5)
1037 GF Mental Health						
Other (Specify Type-Do not abbreviate)						
TOTAL	(31,913.6)	(31,913.6)	(31,913.6)	(31,913.6)	(31,913.6)	(31,913.6)

Estimate of any current year (FY2005) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See attached analysis

Prepared by: Billy Martin, Comptroller
Division: Treasury
Approved by: Tom Boutin, Deputy Commissioner
Agency: Department of Revenue

Phone: 465-2552
Date/Time: 4/5/05 3:28 PM
Date: 4/5/2005

SB141 creates a new 9 member Alaska Retirement Management (ARM) Board and replaces the current 8 member Alaska State Pension Investment Board (ASPIB) staffed by the Treasury Division. It also creates a defined contribution plan with employee and employer contributions, a separate defined benefit health fund and a health care reimbursement trust. Funds currently budgeted under the ASPIB will be transferred to the new board. A summary of the fiscal notes follows.

Summary of Fiscal Notes	FY06	FY07	FY08	FY09	FY10	FY11
Treasury Division fiscal note #1	214.5	214.5	214.5	214.5	214.5	214.5
Alaska State Pension Investment Board fiscal note #2	-4,144.4	-4,144.4	-4,144.4	-4,144.4	-4,144.4	-4,144.4
ARM Board fiscal note #3	4,734.6	4,410.6	4,410.6	4,410.6	4,410.6	4,410.6
ASPIB Custody and Management Fees fiscal note #4	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6
ARM Board Custody and Management Fees fiscal note #5	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6
Total	804.7	480.7	480.7	480.7	480.7	480.7
Back out IA between the two components ¹	-214.5	-214.5	-214.5	-214.5	-214.5	-214.5
SB241 Total incremental costs	590.2	266.2	266.2	266.2	266.2	266.2

Note 1: Currently 100% of the Treasury Division's personal services costs are included in the Treasury Division component under personal services. These incremental costs are included in the new ARM budget (as in the prior ASPIB budget as a contractual expense). Simply adding the two budgets would double count this amount.

The following table shows the breakdown of incremental costs by budget category. Following are discussed the assumptions we have made and how these total costs have been allocated between fiscal note 1 and 3.

	FY06	FY07	FY08	FY09	FY10	FY11
Personal Services	214.5	214.5	214.5	214.5	214.5	214.5
Travel	23.9	12.0	12.0	12.0	12.0	12.0
Contractual	337.3	39.2	39.2	39.2	39.2	39.2
Supplies	14.5	.5	.5	.5	.5	.5
SB141 Total incremental costs	590.2	266.2	266.2	266.2	266.2	266.2

Assumptions:

Following are the assumptions used in arriving at the estimate of the incremental costs of SB141.

1. A new defined contribution plan will have a similar number and type of options as the current Supplement Benefits System. All options would be available on day one of the new plan. A plan similar to SBS will result in the hire of approximately 6 managers and the establishment of over 30 additional safekeeping accounts at the custodial bank and associated accounting records.

2. There is a need to add 2 additional professional and 1 additional technical staff to include a State Investment Officer II, an Accountant IV and an Accounting Technician III. The total cost included in the fiscal notes per year of these staff is \$214.5.

3. Funding for one extra board meeting in the first year for the new board to organize and receive start-up training as well as funding to reflect 1 additional board member traveling (current budget includes 8 existing members).

4. The costs of computers, office equipment and office space reconfiguration is included in year one for the new staff. In all years funding is included for training, investment software subscriptions (Bloomberg, Yieldbook, S&P and Moody's rating services) and miscellaneous supplies for new staff.

5. In year one, the cost for the external consultant to assist the board in selecting 6 new managers. The current contract cost for manager searches is \$30.0 per search.

6. The costs of an external consultant to calculate performance of the funds quarterly. Costs are expected to be \$30.0/year based on the current contract.

7. In FY2006 \$100.0 to cover the costs of an independent audit review of the performance consultant. It is a requirement in SB141 that this contractor be audited. We expect that audit to occur every 4 to 5 years after the initial audit review.

8. There is a \$40.0 reduction in current costs associated with the election of members as the new board will be appointed by the governor.

Treasury Division fiscal note #1

The Treasury Division's fiscal note includes \$214.5 each year for personal services. There are economies of scale in managing investments. However, the new funds created by Senate Bill 141 would require considerable additional responsibilities. If the number of options paralleled the existing SBS Plan, that would translate to 13 new manager accounts, 34 new custodial accounts and 4 new sets of monthly financial statements with annual audit requirements. The Department of Revenue currently manages a large number of funds with a limited investment and back office staff. In order to prudently meet the prospective demands of Senate Bill 141, Treasury would need to hire an additional investment staff and 2 middle/back office staff.

Background

Prudent and productive management of investments is a resource intensive process. Managing a modern portfolio is a broad responsibility which requires significant expertise and high attention to detail.

Investment management responsibilities include designing investment policy guidelines, developing custom asset allocations, conducting investment manager searches, performing investment manager due diligence, negotiating and contracting with prospective managers, managing investment manager relationships, performing periodic portfolio rebalancing, monitoring and evaluating investment performance, presenting and consulting with oversight organizations, and following developments in investment research and analytic tools.

In addition, investment management requires a significant interface with back and middle office functions including fund accounting and audit, managing custody and brokerage relationships, cash management, securities lending, safeguarding assets, and compliance monitoring.

Senate Bill 141 would create the equivalent of four new funds to manage: the Employee Defined Contribution Accounts, the Employer Vesting Accounts, the Medical Program Fund, and the Health Reimbursement Arrangement Trust.

The Employee Defined Contribution Accounts would likely offer employees a reasonably wide range of investment options. As a comparison, the Supplemental Benefits System offers a suite of 6 target or life-style funds and 8 separate asset class funds for a total of 14 options that participants may select from. Deciding on the mix of investment styles to offer, searching for and hiring investment managers, and evaluating and reporting on investment manager performance would be a considerable on-going undertaking.

While Treasury may realize fee economies from existing investment relationships, it is unlikely that the contributions in this account can be commingled with existing accounts. That means that there would be a completely new set of accounts for custodial and accounting purposes.

The Employer Vesting Accounts, the Medical Program Fund, and the Health Reimbursement Arrangement Trust would all likely call for separate custom asset allocations. All three would individually require evaluation, reporting, and periodic portfolio rebalancing. They would also require separate custodial and accounting records including monthly financial reporting and audits.

There is likely to be an additional consequence of the change to a defined contribution plan. Currently there is a population of participants in SBS and Deferred Compensation that monitor their accounts daily. They often have questions whenever there are apparent anomalies in the change in the daily prices of the options. As a general rule, we would say that members of a defined benefit plan are not as price sensitive. The new plan will greatly increase the number of individuals who are monitoring on-line data on a daily basis. This will correlate directly to an increase in the amount of time we spend answering questions.

Alaska State Pension Investment Board fiscal note #2

Alaska Retirement Management Board fiscal note #3

Fiscal note #2 transfers the existing ASPIB budgeted funding to the new ARM board. This fiscal note also includes the ARM board's share of costs expected due to the implementation of SB141.

	FY06	FY07	FY08	FY09	FY10	FY11
ASPIB budgeted funding fiscal note	4,144.4	4,144.4	4,144.4	4,144.4	4,144.4	4,144.4
Incremental costs from SB141	590.2	266.2	266.2	266.2	266.2	266.2
Total costs on fiscal note #3	4,734.6	4,410.6	4,410.6	4,410.6	4,410.6	4,410.6

Total first year costs in fiscal note #3 include \$150.0 for manager selection; \$100.0 for an audit of the board's performance consultant (This audit is a new requirement of SB141. It does not have to occur in the first year, but once done we would expect it to occur every 4 to 5 years.); \$15.0 associated with one additional meeting for organizing and educating the new board members; and, \$29.0 for computers and the office setup for the new positions. These total start-up costs are \$324.0.

On-going costs include interagency chargeback to the ARM for the costs of the 3 new positions totaling \$214.5; travel for the additional board member (the current board has 8 members versus the new board with 9 members) as well as increased due diligence of the new fund managers and training for the new staff in the amount of \$13.0; \$48.7 for the ongoing cost of phones, information technology charge backs, supplies and investment subscription services for the new staff (these include Bloomberg, Yieldbook, S&P and Moody's and Tradeweb); a \$-40.0 reduction in current cost as elections will be eliminated; \$30.0 per year for the calculation of the new funds' performance by an external consultant. These total on-going costs are \$266.2.

State Pension Custody and Management Fees #4
 Alaska Retirement Management Board Fees #5

Fiscal note #4 transfers the budgeted funding of the State Pension Custody and Management Fees to a new Alaska Retirement Management Board Fees component (fiscal note #5) in the Department of Revenue for the new ARM Board. This component includes the investment management and custody costs of the existing defined benefit plans and will not be impacted in the foreseeable future by SB141. Please note that in a defined contribution plan, invest manager fees and custodian costs are deducted from the individual accounts daily (through an adjustment to the per share price of the investments). These costs are not included in the Department's budget.

	FY06	FY07	FY08	FY09	FY10	FY11
ASPIB Custody and Management Fees fiscal note #4	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6
ARM Board Custody and Management Fees fiscal note #5	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6

APR 06 2005

SENATE FINANCE
COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SB141
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue #5
Title: An Act relating to the teachers' and public RDU: Taxation & Treasury
employees' retirement systems Component: ARM Custody and
Sponsor: Finance Management Fees
Requester: _____ Component No. _____

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1027 PERS Retirement	20,692.8	20,692.8	20,692.8	20,692.8	20,692.8	20,692.8
1034 Teachers Retirement	10,760.9	10,760.9	10,760.9	10,760.9	10,760.9	10,760.9
1042 Judicial Retirement	328.4	328.4	328.4	328.4	328.4	328.4
1045 National Guard Retirement	131.5	131.5	131.5	131.5	131.5	131.5
1037 GF-Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6

Estimate of any current year (FY2005) cost: ()
Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See attached analysis.

Prepared by: Bobby Martin, Comptroller Phone: 465-2352
Division: Treasury Date/Time: 4/5/05 3:28 PM
Approved by: Tom Routh, Deputy Commissioner Date: 4/5/2005
Agency: Department of Revenue

SB141 creates a new 9 member Alaska Retirement Management (ARM) Board and replaces the current 8 member Alaska State Pension Investment Board (ASPIB) staffed by the Treasury Division. It also creates a defined contribution plan with employee and employer contributions, a separate defined benefit health fund and a health care reimbursement trust. Funds currently budgeted under the ASPIB will be transferred to the new board. A summary of the fiscal notes follows.

Summary of Fiscal Notes	FY06	FY07	FY08	FY09	FY10	FY11
Treasury Division fiscal note #1	214.5	214.5	214.5	214.5	214.5	214.5
Alaska State Pension Investment Board fiscal note #2	-4,144.4	-4,144.4	-4,144.4	-4,144.4	-4,144.4	-4,144.4
ARM Board fiscal note #3	4,734.6	4,410.6	4,410.6	4,410.6	4,410.6	4,410.6
ASPIB Custody and Management Fees fiscal note #4	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6
ARM Board Custody and Management Fees fiscal note #5	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6
Total	804.7	480.7	480.7	480.7	480.7	480.7
Back out IA between the two components ¹	-214.5	214.5	-214.5	-214.5	-214.5	-214.5
SB141 Total incremental costs	590.2	266.2	266.2	266.2	266.2	266.2

Note 1: Currently 100% of the Treasury Division's personal services costs are included in the Treasury Division component under personal services. These incremental costs are included in the new ARM budget (as in the prior ASPIB budget as a contractual expense). Simply adding the two budgets would double count this amount.

The following table shows the breakdown of incremental costs by budget category. Following are discussed the assumptions we have made and how these total costs have been allocated between fiscal note 1 and 3.

	FY06	FY07	FY08	FY09	FY10	FY11
Personal Services	214.5	214.5	214.5	214.5	214.5	214.5
Travel	23.9	12.0	12.0	12.0	12.0	12.0
Contractual	337.3	39.2	39.2	39.2	39.2	39.2
Supplies	14.5	.5	.5	.5	.5	.5
SB141 Total incremental costs	590.2	266.2	266.2	266.2	266.2	266.2

Assumptions:

Following are the assumptions used in arriving at the estimate of the incremental costs of SB141.

1. A new defined contribution plan will have a similar number and type of options as the current Supplement Benefits System. All options would be available on day one of the new plan. A plan similar to SBS will result in the hire of approximately 6 managers and the establishment of over 30 additional subkeeper accounts at the custodial bank and associated accounting records.

2. There is a need to add 2 additional professional and 1 additional technical staff to include a State Investment Officer II, an Accountant IV, and an Accounting Technician III. The total cost included in the fiscal notes per year of these staff is \$214.5.

3. Funding for one extra board meeting in the first year for the new board to organize and receive start-up training as well as funding to reflect 1 additional board member traveling (current budget includes 8 existing members).

4. The costs of computers, office equipment and office space reconfiguration is included in year one for the new staff. In all years funding is included for training, investment software subscriptions (Bloomberg, Yieldbook, S&P and Moody's rating services) and miscellaneous supplies for new staff.

5. In year one, the cost for the external consultant to assist the board in selecting 6 new managers. The current contract cost for manager searches is \$30.0 per search.

6. The costs of an external consultant to calculate performance of the funds quarterly. Costs are expected to be \$30.0 year based on the current contract.

7. In FY2006 \$100.0 to cover the costs of an independent audit review of the performance consultant. It is a requirement in SB141 that this contractor be audited. We expect that audit to occur every 4 to 5 years after the initial audit review.

8. There is a \$40.0 reduction in current costs associated with the election of members as the new board will be appointed by the governor.

Treasury Division fiscal note #1

The Treasury Division's fiscal note includes \$214.5 each year for personal services. There are economies of scale in managing investments. However, the new funds created by Senate Bill 141 would require considerable additional responsibilities. If the number of options paralleled the existing SBS Plan, that would translate to 13 new manager accounts, 34 new custodial accounts and 4 new sets of monthly financial statements with annual audit requirements. The Department of Revenue currently manages a large number of funds with a limited investment and back office staff. In order to prudently meet the prospective demands of Senate Bill 141, Treasury would need to hire an additional investment staff and 2 middle back office staff.

Background

Prudent and productive management of investments is a resource intensive process. Managing a modern portfolio is a broad responsibility which requires significant expertise and high attention to detail.

Investment management responsibilities include designing investment policy guidelines, developing custom asset allocations, conducting investment manager searches, performing investment manager due diligence, negotiating and contracting with prospective managers, managing investment manager relationships, performing periodic portfolio rebalancing, monitoring and evaluating investment performance, presenting and consulting with oversight organizations, and following developments in investment research and analytic tools.

In addition, investment management requires a significant interface with back and middle office functions including fund accounting and audit, managing custody and brokerage relationships, cash management, securities lending, safeguarding assets, and compliance monitoring.

Senate Bill 141 would create the equivalent of four new funds to manage: the Employee Defined Contribution Accounts, the Employer Vesting Accounts, the Medical Program Fund, and the Health Reimbursement Arrangement Trust.

The Employee Defined Contribution Accounts would likely offer employees a reasonably wide range of investment options. As a comparison, the Supplemental Benefits System offers a suite of 6 target or life-style funds and 8 separate asset class funds for a total of 14 options that participants may select from. Deciding on the mix of investment styles to offer, searching for and hiring investment managers, and evaluating and reporting on investment manager performance would be a considerable on-going undertaking.

While Treasury may realize fee economies from existing investment relationships, it is unlikely that the contributions in this account can be commingled with existing accounts. That means that there would be a completely new set of accounts for custodial and accounting purposes.

The Employer Vesting Accounts, the Medical Program Fund, and the Health Reimbursement Arrangement Trust would all likely call for separate custom asset allocations. All three would individually require evaluation, reporting, and periodic portfolio rebalancing. They would also require separate custodial and accounting records including monthly financial reporting and audits.

There is likely to be an additional consequence of the change to a defined contribution plan. Currently there is a population of participants in SBS and Deferred Compensation that monitor their accounts daily. They often have questions whenever there are apparent anomalies in the change in the daily prices of the options. As a general rule, we would say that members of a defined benefit plan are not as price sensitive. The new plan will greatly increase the number of individuals who are monitoring on-line data on a daily basis. This will correlate directly to an increase in the amount of time we spend answering questions.

Alaska State Pension Investment Board fiscal note #2

Alaska Retirement Management Board fiscal note #3

Fiscal note #2 transfers the existing ASPIB budgeted funding to the new ARM board. This fiscal note also includes the ARM board's share of costs expected due to the implementation of SB141.

	FY06	FY07	FY08	FY09	FY10	FY11
ASPIB budgeted funding fiscal note	4,144.4	4,144.4	4,144.4	4,144.4	4,144.4	4,144.4
Incremental costs from SB141	590.2	266.2	266.2	266.2	266.2	266.2
Total costs on fiscal note #3	4,734.6	4,410.6	4,410.6	4,410.6	4,410.6	4,410.6

Total first year costs in fiscal note #3 include \$180.0 for manager selection; \$160.0 for an audit of the board's performance consultant (This audit is a new requirement of SB141. It does not have to occur in the first year, but once done we would expect it to occur every 4 to 5 years.); \$15.0 associated with one additional meeting for organizing and educating the new board members; and, \$29.0 for computers and the office setup for the new positions. These total start-up costs are \$324.0.

On-going costs include interagency chargeback to the ARM for the costs of the 3 new positions totaling \$214.5; travel for the additional board member (the current board has 8 members versus the new board with 9 members) as well as increased due diligence of the new fund managers and training for the new staff in the amount of \$13.0; \$48.7 for the ongoing cost of phones, information technology charge backs, supplies and investment subscription services for the new staff (these include Bloomberg, Yieldbook, S&P and Moody's and Tradeweb), a \$ -40.0 reduction in current cost as elections will be eliminated, \$30.0 per year for the calculation of the new funds' performance by an external consultant. These total on-going costs are \$266.2.

State Pension Custody and Management Fees #4
Alaska Retirement Management Board Fees #5

Fiscal note #4 transfers the budgeted funding of the State Pension Custody and Management Fees to a new Alaska Retirement Management Board Fees component (fiscal note #5) in the Department of Revenue for the ARM Board. This component includes the investment management and custody costs of the existing defined benefit plans and will not be impacted in the foreseeable future by SB141. Please note that in a defined contribution plan, invest manager fees and custodian costs are deducted from the individual accounts daily (through an adjustment to the per share price of the investments). These costs are not included in the Department's budget.

	FY06	FY07	FY08	FY09	FY10	FY11
ASPIB Custody and Management Fees fiscal note #4	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6	-31,913.6
ARM Board Custody and Management Fees fiscal note #5	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6	31,913.6

APR 06 2005

SENATE FINANCE
COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSSB141(FIN)
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Administration
Title: An Act relation to TRS and PERS creating a RDU: Centralized Administrative Services
defined contribution and health reimbursement plans..... Component: Retirement and Benefits
Sponsor: Senate Finance Committee
Requester: Senate Finance Committee Component No.: 64

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services	276.5	227.5	163.1	163.1	163.1	163.1
Travel	77.5	17.5	3.5	5.0	5.0	5.0
Contractual	667.0	327.0	352.0	397.0	397.0	397.0
Supplies	18.0	5.0	5.0	5.0	5.0	5.0
Equipment	30.0					
Land & Structures						
Grants & Claims						
Miscellaneous (Board Restructure)	(92.5)	(41.5)	(121.5)	(41.5)	(41.5)	(41.5)
TOTAL OPERATING	936.5	535.5	402.1	528.6	528.6	528.6

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	1,029.0	577.0	392.7	285.1	142.5	0.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
1029 PERS	(9.0)	(4.1)	(12.1)	(4.1)	(4.1)	(4.1)
1034 TRS	(83.5)	(37.4)	(109.4)	(37.4)	(37.4)	(37.4)
Other (Specify Type--Do not abbreviate)			130.9	285.0	427.6	570.1
TOTAL	936.5	535.5	402.1	528.6	528.6	528.6

Estimate of any current year (FY2005) cost: 0.0
Check this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time	3	3	3	3	3	3
Part-time	0	0	0	0	0	0
Temporary	2	1	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

This bill will create a new defined contribution retirement plan and a health reimbursement arrangement for new employees of the PERS and TRS hired after the effective date of July 1, 2005. As the new plan significantly differs from the current defined benefit plans, the division will be required to reprogram its computer systems, set up and account for two new plans, create new plan publications and forms, train staff, employer contacts and new members, create new employee benefit education methods on the web, benefit seminars and one on one appointments, and to contract for financial planning services for members of the new plan. The fiscal note assumes fund manager fees, custody, and record keeper's individual account fees are separate. It further assumes that cost reductions for the PERS and TRS Boards will be partially offset by payments to the Office of Administrative Hearings to conduct disability hearings, previously conducted by the boards.

Prepared by: Melanie Millhorn, Director Phone: 465-4408
Division: Retirement and Benefits Date/Time: 4/5/05 1:25 PM
Approved by: Mike Tibbles, Deputy Commissioner Date: 4/5/2005
Agency: Department of Administration

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

BILL NO. CSSB141(FIN)

ANALYSIS CONTINUATION

The estimated administrative costs to the division by fiscal year are as follows:

	FY 2006	FY 2007	FY 2008	FY 09-11
PERSONAL SERVICES:				
1 - Non Perm Analyst-Pgmr III - DC-Eenefits Sys - R 16	64.4	64.4	64.4	64.4
1 - Accountant II - Range 16	52.0	52.0	52.0	52.0
1 - R&B Tech I/II - ER Rptng / Contrib . Recon. - Range 12	46.7	46.7	46.7	46.7
1-Non Permanent Publications Tech I or Spec I - Range 13	49.0	0.0	0.0	0.0
1-Non Permanent Retirement Counselor - Range 18	64.4	64.4	0.0	0.0
	<u>276.5</u>	<u>227.5</u>	<u>163.1</u>	<u>163.1</u>
TRAVEL:				
Employer Reporting Software Upgrade Install & Help	30.0	15.0	0.0	0.0
Employer Plan Education	7.5	0.0	0.0	0.0
Regional Counselor travel	0.0	2.5	3.5	5.0
	<u>37.5</u>	<u>17.5</u>	<u>3.5</u>	<u>5.0</u>
CONTRACTUAL:				
Communications & Postage	82.0	17.0	17.0	17.0
Computer System Redesign (Est. 2,500 hours in FY06)	320.0	30.0	30.0	30.0
Audit, Accting, Tax, Benefits Consulting, Legal	100.0	75.0	50.0	50.0
Training \ Risk Management	15.0	5.0	5.0	0.0
Employee financial planning services	150.0	200.0	250.0	300.0
	<u>667.0</u>	<u>327.0</u>	<u>352.0</u>	<u>397.0</u>
SUPPLIES: Office supplies, calculators, desk-top software	18.0	5.0	5.0	5.0
EQUIPMENT: Workstation & cubicle, chairs, file cabinets, computers, telephone, set-up costs	30.0	0.0	0.0	0.0
MISCELLANEOUS (BOARD RECONFIGURATION, HEARINGS)				
Board Member Election 2006/2008	-80.0	0.0	-80.0	0.0
Board Training	-15.0	-15.0	-15.0	-15.0
Board Attorney	-40.5	-40.5	-40.5	-40.5
Travel Members/Staff	-24.0	-24.0	-24.0	-24.0
Honorarium/Board Members	-29.0	-29.0	-29.0	-29.0
National Seminars (NASRA - NCTR)	-20.0	-20.0	-20.0	-20.0
Disability Hearings--Office of Administrative Hearings	116.0	87.0	87.0	87.0
	<u>-92.5</u>	<u>-41.5</u>	<u>-121.5</u>	<u>-41.5</u>
TOTAL	936.5	535.5	402.1	528.6

The above funding source is initially listed as General Fund because the existing tiers of PERS / TRS are Defined Benefit plans, and the present DC plans, SBS and DCP are legally separate from the intended plan. It is assumed that by FY2008, as more employees are hired into the new tiers, that program costs will be funded through an assessment on DC accounts, similar to the SBS program currently in place. General funds will be reduced 25% per year from FY2008-2011.

The new plan effective date is July 1, 2005. Therefore, startup costs will start in FY 05. The startup costs are not costs of the PERS and TRS Defined Benefit plans. Tiers 1, 2, and 3 are logically related, however, tier 4 PERS and Tier 3 TRS would not be. The purpose of the bill is to separate the DB and DC side. A legal opinion was sought to determine how the funding and accounting needs to occur for the new DC plan.

APR 06 2005

SENATE FINANCE
COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SB 141
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Administration
Title An Act relating to the teachers' and pu RDU Central Administrative Services
Component Office of Administrative Hearings
Sponsor Senate Finance Committee
Requester Senate Finance Committee Component No. 2771

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services	98.0	74.0	74.0	74.0	74.0	74.0
Travel	4.0	4.0	4.0	4.0	4.0	4.0
Contractual	11.0	8.0	8.0	8.0	8.0	8.0
Supplies	1.0	1.0	1.0	1.0	1.0	1.0
Equipment	2.0					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	116.0	87.0	87.0	87.0	87.0	87.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1007 Interagency Receipts	116.0	87.0	87.0	87.0	87.0	87.0
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate) Int						
TOTAL	116.0	87.0	87.0	87.0	87.0	87.0

Estimate of any current year (FY2005) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time	1					
Part-time		1	1	1	1	1
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill transfers to the Office of Administrative Hearings (OAH) adjudicatory hearing functions now performed by the PERS and TRS boards with assistance from contract legal counsel. OAH would conduct hearings, exercise equitable powers, and issue final decisions, as well as perform ancillary pre-hearing functions presently performed by staff of the Division of Retirement and Benefits.

The numbers of cases referred and hearings conducted, as well as the number that might be resolved through alternative dispute resolution or on motions without an evidentiary hearing, likely would vary somewhat each year. To handle the additional caseload, OAH likely would need to add to the Administrative Law Judge (ALJ) staff a 3/4 PPT in all years except in FY 06, when an ALJ PPT would be needed due to the existing backlog of approximately 150 cases likely to carry over into FY 06.

Prepared by: Terry L. Thurbon, Chief Administrative Law Judge (Acting) Phone 465-1886
Division Office of Administrative Hearings Date/Time 3/29/05 11:20 AM
Approved by: Michael A. Tibbles, Deputy Commissioner Date 3/29/2005
Agency Department of Administration

FISCAL NOTE

REPORTED OUT
APR 06 2005
SENATE FINANCE
COMMITTEE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SB 141
() Publish Date: 3/14/2005

Revision Date/Time (Note if correction): _____ Dept. Affected: Administration
Title "An Act relating to to the teachers' RDU
and public employees' retirement systems..." Component _____
Sponsor Senate Finance Committee
Requester Senate Finance Committee Component No. _____

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

FUND CAPITALIZATION	69,531.8					
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	69,531.8					
1005 GF/Program Receipts						
1037 GF/Mental Health						
1029 PERS Trust						
1034 Teach Ret						
TOTAL	69,531.8	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2005) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This fiscal note appropriates \$69,531,800 from the general fund to the PERS and TRS trust funds:

Public Employees' Retirement System (Fund Code 1029): \$67,158.3
Teacher' Retirement System (Fund Code 1034): \$2,373.5

This is the amount required to hold the participating employers harmless from the 5% increase to the employer contribution that is effective July 1, 2005 for the 2006 fiscal year. The employer cost for school districts is handled in HB 1.

See attached summary and detail sheets for the PERS and TRS participating employers.

Prepared by: Senate Finance Committee Phone 465-6600
Division _____ Date/Time 3/17/05 8:24 AM
Approved by: _____ Date 3/17/2005
Agency _____

Public Employees' Retirement System (PERS) & Teachers' Retirement System (TRS)

Composite Employer Contribution Rate - Active Employers

ESTIMATED FY 06 - 07 - 08 - 09 - Change in Employer Contribution

(In Dollars)

(Based on 2004 Valuation; June 30, 2003 Financials)

		Fiscal Year 2006		Fiscal Year 2007		Fiscal Year 2008		Fiscal Year 2009	
		AVE	TOTAL	AVE	TOTAL	AVE	TOTAL	AVE	TOTAL
		Increase	Contrib.	Increase	Contrib.	Increase	Contrib.	Increase	Contrib.
Fund	ER Num Employer								
	3/16/2005 7:53 V02								
	TOTAL BOTH PERS AND TRS	108,042,636	386,448,932	111,686,411	510,881,144	115,684,006	644,731,842	48,407,834	716,695,197
TOTAL PERS AND TRS FOR STATE, POLITICAL SUBDIVISIONS, AND SCHOOL DISTRICTS									
	POLITICAL SUBDIVISIONS	18,426,926	55,913,660	19,117,936	77,128,359	19,834,859	99,855,531	3,996,494	107,706,448
	SCHOOL DISTRICTS <i>fourth three HB 1 - 4</i>	38,510,745	151,099,097	39,581,491	194,745,319	40,890,935	242,029,923	31,260,039	281,411,389
	STATE OF ALASKA	39,966,574	142,083,708	41,460,806	188,853,693	43,013,516	238,938,458	8,939,278	257,086,305
	UNIVERSITY	7,769,429	26,326,893	8,032,460	35,227,657	8,320,689	44,801,844	3,386,468	49,626,975
		104,673,675	375,423,359	108,192,693	495,955,028	112,059,999	625,625,756	47,582,278	696,031,118
TOTAL PERS AND TRS FOR ALL OTHERS									
	ALASKA HOUSING FINANCE CORPORATION	798,115	2,576,315	828,044	3,500,971	859,096	4,491,353	173,098	4,837,817
	ALASKA MUNICIPAL LEAGUE	16,035	129,848	16,636	151,354	17,260	174,289	3,478	184,494
	ALEUTIAN HOUSING AUTHORITY	26,172	100,292	27,154	131,207	28,172	164,300	5,676	176,318
	ALEUTIANS WEST CRSA	2,817	12,148	2,923	15,527	3,033	19,142	611	20,492
	ANCHORAGE PARKING AUTHORITY	52,900	150,024	54,884	210,533	56,942	275,370	11,473	297,472
	BARANOF ISLAND HA	23,645	72,875	24,532	100,140	25,452	129,347	5,128	139,468
	BARTLETT REGIONAL HOSPITAL	890,282	2,872,049	923,667	3,903,418	958,305	5,008,100	193,087	5,394,500
	BERING STRAITS CRSA	3,546	23,248	3,679	27,799	3,817	32,658	769	34,688
	BERING STRAITS RHA	55,837	213,298	57,931	279,228	60,104	349,803	12,110	375,415
	BRISTOL BAY RHA	57,562	203,311	59,721	270,656	61,961	342,766	12,484	368,481
	COOK INLET HOUSING AUTHORITY	134,066	466,283	139,094	622,862	144,310	790,529	29,077	850,120
	COPPER RIVER BASIN RHA	27,798	90,900	28,841	123,150	29,922	157,690	6,029	169,806
	CORDOVA COMMUNITY MEDICAL CENTER	131,150	397,121	136,068	548,081	141,170	709,804	28,444	765,647
	ILISAGVIK COLLEGE	206,157	638,263	213,888	876,086	221,909	1,130,848	44,712	1,219,211
	INTERIOR RHA	52,437	184,474	54,403	245,795	56,444	311,456	11,373	334,851
	INTER-ISLAND FERRY AUTHORITY	6,605	20,582	6,853	28,206	7,110	36,374	1,433	39,211
	NOME JOINT UTILITY SYSTEM	50,792	101,584	52,697	158,090	54,673	218,692	11,016	238,149
	NORTH PACIFIC FISHERY MGMT COUNCIL	57,725	206,271	59,889	275,971	62,135	348,455	12,520	374,425
	NORTH PACIFIC RIM HA	48,977	162,408	50,814	219,313	52,719	280,256	10,622	301,697
	NORTHWEST INUPIAT HOUSING AUTHORITY	28,131	86,757	29,186	119,197	30,281	153,947	6,101	165,991
	PETERSBURG MEDICAL CENTER	149,103	328,027	154,695	495,023	160,496	674,082	32,338	732,439
	SAXMAN SEAPORT	1,996	7,639	2,070	9,996	2,148	12,518	433	13,434
	SITKA COMMUNITY HOSPITAL	225,166	763,762	233,610	1,026,013	242,370	1,306,859	48,835	1,406,138
	SOUTHEAST REGIONAL RESOURCE CENTER	136,869	475,538	141,276	631,599	146,241	799,794	73,287	901,629
	SPECIAL EDUCATION SERVICE AGENCY	84,283	326,902	86,590	422,165	89,445	525,405	69,562	612,514
	TLINGIT-HAIDA RHA	100,793	413,054	104,573	533,739	108,494	662,248	21,860	709,671
		3,368,960	11,025,574	3,493,717	14,926,116	3,624,007	19,106,086	825,556	20,664,079

Public Employees' Retirement System (PERS) & Teachers' Retirement System (TRS)

Composite Employer Contribution Rate - Active Employers
ESTIMATED FY 06 - 07 - 08 - 09 - Change in Employer Contribution

(Based on 2004 Valuation; June 30, 2003 Financials)

		Fiscal Year 2006		Fiscal Year 2007		Fiscal Year 2008		Fiscal Year 2009		
		AVE	TOTAL	AVE	TOTAL	AVE	TOTAL	AVE	TOTAL	
		Increase	Contrib.	Increase	Contrib.	Increase	Contrib.	Increase	Contrib.	
Fund	ER Num:	Employer								
		3/16/2005 7:50								
		V02								
PERS	208	AKUTAN, CITY OF	14,932	2,079	15,492	59,149	16,073	77,440	3,239	83,668
PERS	230	ALEUTIANS EAST BOROUGH	50,537	200,431	52,432	260,379	54,399	324,542	10,961	340,030
PERS	259	ALLAKAKET, CITY OF	2,564	5,127	2,660	7,979	2,759	11,038	556	12,020
PERS	173	ANCHORAGE, MUNICIPALITY OF	6,615,843	18,061,251	6,863,937	25,602,485	7,121,335	33,583,913	1,434,866	36,418,979
PERS	283	ANDERSON, CITY OF	2,009	2,009	2,084	4,168	2,162	6,486	436	7,172
PERS	289	ANGOON, CITY OF	15,955	49,206	16,553	67,604	17,174	87,314	3,460	94,144
PERS	243	ATKA, CITY OF	3,708	14,832	3,847	19,235	3,991	23,948	804	25,677
PERS	171	BARROW, CITY OF	53,772	192,072	55,788	255,063	57,880	322,507	11,662	346,618
PERS	136	BETHEL, CITY OF	235,324	644,787	244,148	913,115	253,304	1,200,661	51,038	1,298,044
PERS	144	BRISTOL BAY BOROUGH	70,944	184,313	73,605	264,830	76,365	351,126	15,387	380,066
PERS	148	CORDOVA, CITY OF	98,482	290,917	102,175	404,002	106,007	525,159	21,359	566,789
PERS	186	CRAIG, CITY OF	94,438	383,983	97,979	496,362	101,653	616,628	20,482	660,912
PERS	282	DELTA JUNCTION, CITY OF	3,419	13,059	3,547	17,095	3,680	21,416	741	22,984
PERS	258	DENALI BOROUGH	29,484	200,493	30,590	238,601	31,737	279,286	6,395	296,461
PERS	178	DILLINGHAM, CITY OF	122,152	395,285	126,733	536,841	131,485	688,458	26,493	741,525
PERS	271	EGEGIK, CITY OF	5,075	14,007	5,265	19,798	5,463	26,003	1,161	28,108
PERS	242	ELIM, CITY OF	9,077	25,980	9,418	36,372	9,771	47,507	1,969	51,310
PERS	116	FAIRBANKS NORTH STAR BOROUGH	867,894	2,765,110	900,440	3,769,241	934,206	4,844,794	188,232	5,220,035
PERS	129	FAIRBANKS, CITY OF	305,784	1,875,679	317,251	2,263,268	329,148	2,677,288	66,319	2,846,951
PERS	183	FORT YUKON, CITY OF	15,338	30,677	15,914	47,741	16,510	66,041	3,327	71,917
PERS	192	GALENA, CITY OF	68,486	136,972	71,054	213,162	73,719	294,875	14,853	321,110
PERS	189	HAINES BOROUGH	105,665	468,518	109,627	595,715	113,738	731,793	22,917	782,957
PERS	215	HOMER, CITY OF	245,743	635,001	254,959	913,772	264,520	1,212,559	53,298	1,312,661
PERS	199	HOONAH, CITY OF	33,095	104,248	34,336	142,493	35,623	183,460	7,178	197,719
PERS	285	HOOPER BAY, CITY OF	30,735	94,788	31,888	130,230	33,084	168,198	6,666	181,356
PERS	235	HUSLIA, CITY OF	4,785	17,486	4,965	23,106	5,151	29,124	1,038	31,286
PERS	126	JUNEAU, CITY AND BOROUGH OF	1,351,743	4,385,054	1,402,433	5,951,927	1,455,025	7,630,149	293,171	8,217,844
PERS	260	KACHEMAK, CITY OF	3,068	15,569	3,183	19,336	3,303	23,364	665	24,932
PERS	277	KAKE, CITY OF	15,138	51,438	15,705	63,072	16,294	87,956	3,283	94,634
PERS	237	KALTAG, CITY OF	1,479	5,471	1,535	7,211	1,593	9,074	321	9,745
PERS	180	KENAI PENINSULA BOROUGH	625,569	2,228,278	649,028	2,960,866	673,367	3,745,265	135,676	4,025,508
PERS	115	KENAI, CITY OF	278,462	761,316	288,905	1,078,770	299,739	1,418,962	60,394	1,534,128
PERS	122	KETCHIKAN GATEWAY BOROUGH	206,307	639,140	214,044	877,152	222,070	1,132,115	44,745	1,220,560
PERS	181	KETCHIKAN, CITY OF	415,937	2,073,029	431,534	2,582,302	447,717	3,126,856	90,210	3,337,762
PERS	151	KING COVE, CITY OF	53,681	157,071	55,694	218,656	57,783	284,638	11,643	307,268
PERS	227	KLAWOCK, CITY OF	42,542	95,210	44,138	142,918	45,793	194,070	9,227	210,788
PERS	174	KODIAK ISLAND BOROUGH	113,667	227,334	117,929	353,788	122,352	489,407	24,652	532,950
PERS	128	KODIAK, CITY OF	293,700	952,175	304,714	1,292,516	316,140	1,657,208	63,699	1,784,875
PERS	140	KOTZEBUE, CITY OF	162,767	325,534	168,871	506,612	175,203	700,813	35,301	763,165
PERS	287	KOYUK, CITY OF	1,113	3,433	1,155	4,716	1,198	6,091	241	6,568
PERS	247	LAKE AND PENINSULA BOROUGH	32,811	150,278	34,042	189,953	35,318	232,395	7,116	248,482

Public Employees' Retirement System (PERS) & Teachers' Retirement System (TRS)										
Composite Employer Contribution Rate - Active Employers										
ESTIMATED FY 06 - 07 - 08 - 09 - Change in Employer Contribution										
(Based on 2004 Valuation; June 30, 2003 Financials)										
3/16/2005 7:50			Fiscal Year 2006		Fiscal Year 2007		Fiscal Year 2008		Fiscal Year 2009	
V02										
ER			AVE		AVE		AVE		AVE	
			Increase		Increase		Increase		Increase	
Fund Num Employer			TOTAL		TOTAL		TOTAL		TOTAL	
			Contrib.		Contrib.		Contrib.		Contrib.	
PERS	152	ALASKA HOUSING FINANCE CORPORATION	798,115	2,576,315	828,044	3,500,971	859,096	4,491,353	173,098	4,837,817
PERS	106	ALASKA MUNICIPAL LEAGUE	16,035	129,848	16,636	151,354	17,260	174,289	3,478	184,494
PERS	267	ALEUTIAN HOUSING AUTHORITY	26,172	100,292	27,154	131,207	28,172	164,300	5,676	176,318
PERS	245	ALEUTIANS WEST CRSA	2,817	12,148	2,923	15,527	3,033	19,142	611	20,432
PERS	203	ANCHORAGE PARKING AUTHORITY	52,900	150,024	54,884	210,533	56,942	275,370	11,473	297,472
PERS	281	BARANOF ISLAND HA	23,645	72,875	24,532	100,140	25,452	129,347	5,128	139,468
PERS	219	BARTLETT REGIONAL HOSPITAL	890,282	2,872,049	923,667	3,903,418	958,305	5,008,100	193,087	5,394,500
PERS	237	BERING STRAITS CRSA	3,546	23,248	3,679	27,799	3,817	32,658	769	34,688
PERS	270	BERING STRAITS RHA	55,837	213,298	57,931	279,228	60,104	349,803	12,110	375,415
PERS	223	BRISTOL BAY RHA	57,562	203,311	59,721	270,656	61,961	342,766	12,484	368,481
PERS	262	COOK INLET HOUSING AUTHORITY	134,066	466,283	139,094	622,862	144,310	790,529	29,077	850,120
PERS	224	COPPER RIVER BASIN RHA	27,798	90,900	28,841	123,150	29,922	157,690	6,029	169,806
PERS	163	CORDOVA COMMUNITY MEDICAL CENTER	131,150	397,121	136,068	548,081	141,170	709,804	28,444	765,647
PERS	275	ILISAGVIK COLLEGE	206,157	638,263	213,888	876,086	221,909	1,130,848	44,712	1,219,211
PERS	263	INTERIOR RHA	52,437	184,474	54,403	245,795	56,444	311,456	11,373	324,851
PERS	284	INTER-ISLAND FERRY AUTHORITY	6,605	20,582	6,853	28,206	7,110	36,374	1,433	39,211
PERS	175	NOME JOINT UTILITY SYSTEM	50,792	101,584	52,697	158,090	54,673	218,692	11,016	238,149
PERS	170	NORTH PACIFIC FISHERY MGMT COUNCIL	57,725	208,271	59,889	275,971	62,135	348,455	12,520	374,425
PERS	276	NORTH PACIFIC RIM HA	48,977	162,408	50,814	219,313	52,719	280,256	10,622	301,697
PERS	288	NORTHWEST INUPIAT HOUSING AUTHORITY	28,131	86,757	29,185	119,197	30,281	153,947	6,101	165,991
PERS	187	PETERSBURG MEDICAL CENTER	149,103	328,027	154,695	495,023	160,496	674,082	32,338	732,439
PERS	278	SAXMAN SEAPORT	1,996	7,639	2,070	9,996	2,148	12,518	433	13,434
PERS	165	SITKA COMMUNITY HOSPITAL	225,166	763,762	233,610	1,026,013	242,370	1,306,859	48,835	1,406,138
PERS	279	TLINGIT-HAIDA RHA	100,793	413,654	104,573	533,739	108,494	562,248	21,860	709,671
PERS	167	SOUTHEAST REGIONAL RESOURCE CENTER	86,812	265,298	90,068	365,315	93,445	472,459	18,828	509,525
PERS	218	SPECIAL EDUCATION SERVICE AGENCY	25,409	79,632	26,362	108,980	27,350	140,417	5,511	151,348
		Subtotal: Other PERS	3,260,030	10,568,064	3,382,281	14,346,647	3,509,116	18,393,763	707,046	19,810,808
PERS	101	ALASKA, STATE OF	39,655,236	140,776,087	41,142,307	187,197,498	42,685,144	236,902,548	8,600,561	254,647,547
PERS	113	UNIVERSITY OF ALASKA	5,816,153	18,123,132	6,034,258	24,837,007	6,260,543	32,028,938	1,261,427	34,526,682
		Subtotal: State & Univ PERS	45,471,388	158,899,219	47,176,566	212,034,505	48,945,687	268,931,486	9,861,988	289,174,229

Public Employees' Retirement System (PERS) & Teachers' Retirement System (TRS)										
Composite Employer Contribution Rate - Active Employers										
ESTIMATED FY 06 - 07 - 08 - 09 - Change In Employer Contribution (In Dollars)										
(Based on 2004 Valuation, June 30, 2003 Financials)										
			Fiscal Year 2006		Fiscal Year 2007		Fiscal Year 2008		Fiscal Year 2009	
3/16/2005 7:50										
V02										
ER			AVE		AVE		AVE		AVE	
			Increase		Increase		Increase		Increase	
TOTAL			TOTAL		TOTAL		TOTAL		TOTAL	
Contrib.			Contrib.		Contrib.		Contrib.		Contrib.	
Fund	Num	Employer								
TRS	766	ALASKA GATEWAY SD	122,058	512,643	124,865	649,209	128,736	708,164	132,791	956,097
TRS	758	ALEUTIAN REGION SD	18,118	76,097	18,535	96,382	19,110	118,479	19,711	141,023
TRS	780	ALEUTIANS EAST BOROUGH SD	119,964	503,849	122,723	638,160	126,528	784,471	130,513	939,695
TRS	701	ANCHORAGE SD	8,945,912	37,572,829	9,151,668	47,588,671	9,435,369	58,499,289	9,732,583	70,074,600
TRS	770	ANNETTE ISLAND SD	81,357	341,701	83,229	432,788	85,809	532,014	88,512	637,284
TRS	752	BERING STRAIT SD	556,156	2,335,857	568,948	2,958,530	586,585	3,636,830	605,063	4,356,453
TRS	742	BRISTOL BAY BOROUGH SD	66,251	278,254	67,775	352,429	69,876	433,230	72,077	518,954
TRS	768	CHATHAM SD	65,684	275,875	67,195	349,415	69,278	429,525	71,461	514,516
TRS	771	CHUGACH SD	47,326	198,768	48,414	251,754	49,915	309,473	51,487	370,709
TRS	767	COPPER RIVER SD	144,588	607,270	147,914	769,151	152,499	945,494	157,303	1,132,580
TRS	704	CORDOVA CITY SD	104,904	440,595	107,316	558,045	110,643	685,988	114,128	821,725
TRS	705	CRAIG CITY SD	117,364	492,928	120,063	624,329	123,785	767,468	127,684	919,328
TRS	765	DELTA/GREELY SD	151,836	637,712	155,328	807,707	160,144	992,890	165,188	1,189,354
TRS	764	DENALI BOROUGH SD	84,599	355,315	86,545	450,032	89,227	553,210	92,038	662,675
TRS	744	DILLINGHAM CITY SD	145,270	610,133	148,611	772,777	153,218	949,951	158,044	1,137,919
TRS	706	FAIRBANKS NORTH STAR BOROUGH SD	2,945,480	12,371,017	3,013,226	15,658,777	3,106,636	19,261,146	3,204,495	23,072,367
TRS	735	GALENA CITY SD	227,943	957,362	233,186	1,212,568	240,415	1,490,572	247,988	1,785,513
TRS	707	HAINES BOROUGH SD	93,831	394,089	95,989	499,142	98,965	613,580	102,082	734,990
TRS	708	HOONAH CITY SD	70,670	334,615	81,503	423,813	84,029	520,981	86,676	624,067
TRS	709	HYDABURG CITY SD	35,628	149,638	36,448	189,528	37,578	232,981	38,761	279,081
TRS	761	IDITAROD AREA SD	129,851	545,375	132,838	690,756	136,956	849,125	141,270	1,017,142
TRS	710	JUNEAU BOROUGH SD	1,021,263	4,289,305	1,044,752	5,432,711	1,077,139	6,678,264	1,111,069	7,999,699
TRS	712	KAKE CITY SD	39,935	167,728	40,854	212,440	42,120	261,145	43,447	312,818
TRS	777	KASHUNAMIUT SD	73,716	309,609	75,412	392,142	77,757	492,048	80,199	577,432
TRS	746	KENAI PENINSULA BOROUGH SD	1,918,041	8,055,774	1,962,156	10,203,213	2,022,883	12,542,496	2,086,707	15,024,292
TRS	714	KETCHIKAN GATEWAY BOROUGH SD	406,086	1,957,560	476,806	2,479,389	491,587	3,047,837	507,072	3,650,915
TRS	717	KLAWOCK CITY SD	58,619	246,199	59,967	311,829	61,826	383,322	63,774	459,170
TRS	718	KODIAK ISLAND BOROUGH SD	632,619	2,657,001	647,169	3,365,281	667,232	4,136,837	688,250	4,955,397
TRS	755	KUSPUK SD	140,344	589,445	143,572	746,574	148,023	917,740	152,685	1,089,334
TRS	757	LAKE AND PENINSULA BOROUGH SD	163,178	685,346	166,931	868,040	172,106	1,067,055	177,527	1,278,194
TRS	754	LOWER KUSKOKWIM SD	840,224	3,974,141	967,987	5,033,533	997,995	6,187,567	1,029,432	7,411,907
TRS	753	LOWER YUKON SD	457,613	1,921,973	468,138	2,434,316	482,650	2,992,430	497,853	3,584,545
TRS	722	MATANUSKA-SUSITNA BOROUGH SD	2,589,746	10,876,933	2,649,310	13,776,413	2,731,439	16,934,921	2,817,479	20,285,850
TRS	719	NENANA CITY SD	107,508	451,535	109,981	571,901	113,390	703,020	116,962	842,128
TRS	720	NOME CITY SD	158,350	665,072	161,993	842,361	167,014	1,035,489	172,275	1,240,382
TRS	736	NORTH SLOPE BOROUGH SD	728,566	3,059,978	745,323	3,875,680	768,428	4,764,254	792,634	5,706,962
TRS	751	NORTHWEST ARCTIC BOROUGH SD	631,148	2,650,821	645,664	3,357,454	665,680	4,127,215	686,649	4,943,871
TRS	723	PELICAN CITY SD	7,422	31,173	7,593	39,483	7,828	48,535	8,075	58,139
TRS	724	PETERSBURG CITY SD	147,167	618,100	150,552	782,868	155,219	962,355	160,108	1,152,778
TRS	759	PRIBILOF SD	34,771	146,040	35,571	184,970	36,674	227,378	37,829	272,369

Public Employees' Retirement System (PERS) & Teachers' Retirement System (TRS)										
Composite Employer Contribution Rate - Active Employers										
ESTIMATED FY 06 - 07 - 08 - 09 - Change in Employer Contribution										
(Based on 2004 Valuation; June 30, 2003 Financials)										
			Fiscal Year 2006		Fiscal Year 2007		Fiscal Year 2008		Fiscal Year 2009	
			AVE	TOTAL	AVE	TOTAL	AVE	TOTAL	AVE	TOTAL
			Increase	Contrib.	Increase	Contrib.	Increase	Contrib.	Increase	Contrib.
Fund	ER Num	Employer								
		3/16/2005 7:50								
		V02								
TRs	74L	SAINT MARY'S SD	43,038	184,541	44,949	233,735	46,342	287,323	47,802	344,176
TRs	727	SITKA BOROUGH SD	345,793	1,452,330	353,746	1,839,480	364,712	2,261,216	376,201	2,708,645
TRs	728	SKAGWAY CITY SD	35,750	150,151	36,573	190,177	37,706	233,779	38,894	280,037
TRs	769	SOUTHEAST ISLAND SD	68,398	287,273	69,971	363,852	72,141	447,272	74,413	535,774
TRs	756	SOUTHWEST REGION SD	256,747	1,078,339	262,653	1,365,793	270,795	1,678,927	279,325	2,011,138
TRs	775	TANANA SD	14,438	60,640	14,770	76,805	15,228	94,414	15,708	113,096
TRs	729	UNALASKA CITY SD	108,771	456,838	111,273	578,618	114,722	711,277	118,336	852,019
TRs	730	VALDEZ CITY SD	236,952	995,200	242,102	1,260,492	249,917	1,549,483	257,789	1,856,081
TRs	731	WRANGELL PUBLIC SD	105,026	445,311	108,465	564,018	111,827	693,330	115,350	830,520
TRs	732	YAKUTAT SD	46,921	197,070	48,001	249,603	49,489	306,830	51,048	367,542
TRs	762	YUKON / KOYUKUK SD	193,646	813,312	198,099	1,030,117	204,241	1,266,291	210,674	1,516,854
TRs	763	YUKON FLATS SD	120,969	508,070	123,751	643,507	127,588	791,043	131,607	947,568
TRs	778	YUPIIT SD	112,500	472,499	115,087	598,453	118,655	735,660	122,392	881,226
		Subtotal: School District TRS	26,296,959	110,447,228	26,901,789	139,889,303	27,735,745	171,961,616	28,609,420	205,987,827
TRs	737	ALASKA DEPARTMENT OF EDUCATION	311,338	1,307,621	318,499	1,656,196	328,373	2,035,910	338,716	2,438,758
TRs	733	UNIVERSITY OF ALASKA	1,953,277	8,203,761	1,998,202	10,390,650	2,060,146	12,772,906	2,125,041	15,300,293
TRs	743	SOUTHEAST REGIONAL RESOURCE CENTER	50,057	210,240	51,208	266,284	52,796	327,335	54,459	392,105
TRs	779	SPECIAL EDUCATION SERVICE AGENCY	58,874	247,270	60,228	313,185	62,095	384,988	64,051	461,167
		Subtotal: Other TRS	2,373,546	9,968,892	2,429,137	12,626,314	2,503,410	15,521,139	2,582,267	18,592,322
		TOTAL TRS	28,670,505	120,416,120	29,329,926	152,515,617	30,239,154	187,482,755	31,191,687	224,580,150
		TOTAL BOTH PERS AND TRS	108,042,636	386,448,932	111,686,411	510,881,144	115,684,066	644,731,842	48,407,834	716,695,197

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FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SB141-DOA-RB-03-15-05
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Statewide
Title An Act relation to TRS and PERS creating a RDU Statewide
defined contribution and health reimbursement plans..... Component Statewide
Sponsor Senate Finance Committee
Requester Senate Finance Committee Component No. _____

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services	276.5	227.5	163.1	163.1	163.1	163.1
Travel	37.5	17.5	3.5	5.0	5.0	5.0
Contractual	667.0	327.0	352.0	397.0	397.0	397.0
Supplies	18.0	5.0	5.0	5.0	5.0	5.0
Equipment	30.0					
Land & Structures						
Grants & Claims						
Miscellaneous (Board Resol.)	(208.5)	(128.5)	(208.5)	(128.5)	(128.5)	(128.5)
TOTAL OPERATING	820.5	448.5	315.1	441.6	441.6	441.6

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	820.5	448.5	315.1	441.6	441.6	441.6
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	820.5	448.5	315.1	441.6	441.6	441.6

Estimate of any current year (FY2005) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time	3	3	3	3	3	3
Part-time	0	0	0	0	0	0
Temporary	2	1	0	0	0	0

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

This bill will create a new defined contribution retirement plan and a health reimbursement arrangement for new employees of the PERS and TRS hired after the effective date of July 1, 2005. As the new plan significantly differs from the current defined benefit plans, the division will be required to reprogram its computer systems, set up and account for two new plans, create new plan publications and forms, train staff, employer contacts and new members, create new employee benefit education methods on the web, benefit seminars and one on one appointments, and to contract for financial planning services for members of the new plan. The fiscal note assumes fund manager fees, custody, and record keeper's individual account fees are separate.

Prepared by: Molania Millhorn, Director Phone 465-4408
Division: Retirement and Benefits Date/Time 3/21/05 1:17 PM
Approved by: Miko Tibbles, Deputy Commissioner Date 3/21/2005
Agency: Department of Administration

FISCAL NOTE

**STATE OF ALASKA
2005 LEGISLATIVE SESSION**

BILL NO. SB141-DOA-RB-03-15-05

ANALYSIS CONTINUATION

The estimated administrative costs to the division by fiscal year are as follows:

	FY 2006	FY 2007	FY 2008	FY 09-11
PERSONAL SERVICES:				
1 - Analyst-Pgmr III - DC-Benefits Sys - R 16	64.4	64.4	64.4	64.4
1 - Accountant II - Range 16	52.0	52.0	52.0	52.0
1 - R&B Tech I/II - ER Rptng / Contrib. Recon. - Range 12	46.7	46.7	46.7	46.7
1-Non Permanent Publications Tech II or Spec I - Range 13	49.0	0.0	0.0	0.0
1-Non Permanent Retirement Counselor - Range 18	64.4	64.4	0.0	0.0
	<hr/>	<hr/>	<hr/>	<hr/>
	276.5	227.5	163.1	163.1
TRAVEL:				
Employer Reporting Software Upgrade Install & Help	30.0	15.0	0.0	0.0
Employer Plan Education	7.5	0.0	0.0	0.0
Regional Counselor travel	0.0	2.5	3.5	5.0
	<hr/>	<hr/>	<hr/>	<hr/>
	37.5	17.5	3.5	5.0
CONTRACTUAL:				
Communications & Postage	82.0	17.0	17.0	17.0
Computer system mods - Employer Reporting	80.0	5.0	5.0	5.0
Computer system mods - PERS / TRS Record Integration	80.0	5.0	5.0	5.0
Computer system mods - DC / Web / Remit Modules	80.0	10.0	10.0	10.0
Computer system mods - HRA / Benefit system mods	80.0	10.0	10.0	10.0
Audit, Acclng, Tax, Benefits Consulting, Legal	100.0	75.0	50.0	50.0
Training \ Risk Management	15.0	5.0	5.0	0.0
Employee financial planning services	150.0	200.0	250.0	300.0
	<hr/>	<hr/>	<hr/>	<hr/>
	667.0	327.0	352.0	397.0
SUPPLIES: Office supplies, calculators, desk-top software	18.0	5.0	5.0	5.0
EQUIPMENT: Workstation & cubicle, chairs, file cabinets, computers, telephone, set-up costs	30.0	0.0	0.0	0.0
MISCELLANEOUS (BOARD RECONFIGURATION)				
Board Member Election 2006/2008	-80.0	0.0	-80.0	0.0
Board Training	-15.0	-15.0	-15.0	-15.0
Board Attorney	-40.5	-40.5	-40.5	-40.5
Travel Members/Staff	-24.0	-24.0	-24.0	-24.0
Honorarium/Board Members	-29.0	-29.0	-29.0	-29.0
National Seminars (NASRA - NCTR)	-20.0	-20.0	-20.0	-20.0
	<hr/>	<hr/>	<hr/>	<hr/>
	-208.5	-128.5	-208.5	-128.5
 TOTAL	 820.5	 448.5	 315.1	 441.6

The above funding source is initially listed as General Fund because the existing tiers of PERS / TRS are Defined Benefit plans, and the present DC plans, SBS and DCP are legally separate from the intended plan. The new tier members would have to repay the startup costs through fees as the size of the fund grows.

The new plan effective date is July 1, 2005. Therefore, startup costs will start in FY 05, although they have not been provided for. Further, such startup costs also have the same issue, they really are not costs of the PERS and TRS Defined Benefit plans. Tiers 1, 2, and 3 are logically related, tier 4 PERS and Tier 3 TRS would not be. The purpose of the bill is to separate the DB and DC side. Some arrangement will have to be worked out to allow expenditure of funds for the startup that will be reimbursed later. A legal opinion is being sought to determine if the new tier members could repay the startup costs through fees as the size of the fund grows.

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

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE FINANCE COMMITTEE

*Note: drafting error pg 105
final exchange done*

A BILL
FOR AN ACT ENTITLED

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

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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 proposer's
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 - 14.24.008,

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 - 14.25.59, 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

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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 14.25.050(a) is amended to read:

10 (a) Except as provided in (c) of this section, beginning July 1, 2005
 11 [JANUARY 1, 1991], each member shall contribute to the plan a percentage
 12 [SYSTEM AN AMOUNT EQUAL TO 8.65 PERCENT] of the member's base salary
 13 accrued from July 1 to the following June 30, as determined under AS 14.25.052.
 14 The employer shall deduct the contribution from the member's salary at the end of
 15 each payroll period, and the contribution shall be credited by the plan [SYSTEM] to
 16 the member contribution account. The contributions shall be deducted from employee
 17 compensation before the computation of applicable federal taxes and shall be treated
 18 as employer contributions under 26 U.S.C. 414(h)(2). A member may not have the
 19 option of making the payroll deduction directly in cash instead of having the
 20 contribution picked up by the employer.

21 * Sec. 8. AS 14.25 is amended by adding a new section to read:

22 **Sec. 14.25.052. Calculation of member contribution rate.** (a) Each active
 23 member shall contribute a percentage of the member's base salary to be determined
 24 annually in advance by the administrator. The member contribution rate is the greater
 25 of

26 (1) 8.65 percent; or

27 (2) one-half of the normal cost rate actuarially calculated to fund the
 28 benefits expected to be earned by active members during the fiscal year.

29 (b) Notwithstanding (a) of this section, the member contribution rate may not
 30 increase more than one-half of a percentage point annually.

31 * Sec. 9. AS 14.25.070 is amended to read:

1 Sec. 14.25.070. Contributions by employer. An employer shall contribute to
 2 the plan [SYSTEM] an amount equal to the percentage, as certified by the board
 3 [ADMINISTRATOR], of the sum total of the base salaries of all members that is
 4 required in addition to member contributions to provide the benefits of AS 14.25.009 -
 5 14.25.220 [THIS CHAPTER] times the sum total of the base salaries paid to members,
 6 including any adjustments to contributions required by AS 14.25.173(a), by the
 7 employer.

8 * Sec. 10. AS 14.25.070 is amended by adding a new subsection to read:

9 (b) When added to the member contribution rate calculated under
 10 AS 14.25.052, the employer contribution may not be less than the amount required as
 11 actuarially calculated to fully fund the future liabilities of active members.

12 * Sec. 11. AS 14.25.075(a) is amended to read:

13 (a) An employee who is eligible to purchase credited service under
 14 AS 14.25.047 or 14.25.048, a member who is eligible to purchase credited service
 15 under AS 14.25.048, 14.25.050, 14.25.060, 14.25.061, [14.25.062,] 14.25.100, or
 16 14.25.107, or a teacher who is eligible to purchase credited service under
 17 AS 14.20.345, AS 14.25.050, [14.25.062,] or 14.25.105, in lieu of making payments
 18 directly to the plan, may elect to have the member's employer make payments as
 19 provided in this section.

20 * Sec. 12. AS 14.25.075(b) is amended to read:

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

24 (1) the amounts paid under a salary reduction program are in lieu of
 25 contributions by the member making the election; the electing member's salary or
 26 other compensation shall be reduced by the amount paid by the employer under this
 27 subsection;

28 (2) the member shall make an irrevocable election under this
 29 subsection to purchase credited service as permitted in AS 14.20.345, AS 14.25.047,
 30 14.25.048, 14.25.050, 14.25.060, 14.25.061, [14.25.062,] 14.25.100, 14.25.105, or
 31 14.25.107 before the member's termination of employment; the irrevocable election

1 must specify the number of payroll periods that deductions will be made from the
 2 member'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 paragraph;

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 26
 12 U.S.C. (Internal Revenue Code); the amounts paid by the employer under this section
 13 may not be included in the member's gross income for income tax purposes until those
 14 amounts are distributed by refund or retirement benefit payments.

15 * Sec. 13. AS 14.25.075(e) is amended to read:

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

20 * Sec. 14. AS 14.25.075(f) is amended to read:

21 (f) The administrator may accept rollover contributions from a member [,
 22 AND DIRECT TRANSFERS AS DESCRIBED IN THIS SUBSECTION, FOR THE
 23 PURCHASE, IN WHOLE OR IN PART, OF FORFEITED CREDITED SERVICE
 24 UNDER THIS SECTION FOR THE REINSTATEMENT, IN WHOLE OR IN PART,
 25 OF FORFEITED CREDITED SERVICE UNDER AS 14.25.062]. Contributions
 26 made under this subsection may not be applied to purchase service being paid under
 27 (b) of this section. A rollover contribution [OR TRANSFER] as described in this
 28 subsection shall be treated as employer contributions for the purpose of determining
 29 tax treatment under the Internal Revenue Code and may be made by any one or a
 30 combination of the following methods:

31 (1) subject to the limitations prescribed in 26 U.S.C. 402(c), accepting

1 eligible rollover distributions directly from one or more retirement programs of
 2 another employer that are qualified under 26 U.S.C. 401(a) or accepting rollovers
 3 directly from a member;

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

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

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

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

19 * Sec. 15. AS 14.25.075(i) is amended to read:

20 (i) On satisfaction of the eligibility requirements of AS 14.20.345,
 21 AS 14.25.047, 14.25.048, 14.25.050, 14.25.060, 14.25.061, [14.25.062,] 14.25.100,
 22 14.25.105, or 14.25.107, the requirements of this section, and the administrative filing
 23 requirements specified by the administrator, the plan shall adjust the member's
 24 credited service history and add any additional service credits acquired.

25 * Sec. 16. AS 14.25.115(a) is amended to read:

26 (a) A teacher in membership service on or after July 1, 1977, who is appointed #20
 27 to retirement on or after July 1, 1978, may elect to apply unused sick leave credit in
 28 computing the total number of years of credited service under AS 14.25.110(d) except
 29 for sick leave earned while participating in a [THE OPTIONAL] university retirement
 30 program under AS 14.40.661 - 14.40.799. To obtain service credit for unused sick
 31 leave, a teacher must apply to the administrator not [NO] later than one year after

1 appointment to retirement. Unused sick leave shall be credited on a day-for-day basis
 2 in accordance with the table for service after July 1, 1969, contained in
 3 AS 14.25.220(45). Teacher contributions may not be required for credited unused sick
 4 leave.

5 * Sec. 17. AS 14.25.143(a), as that subsection read following amendment by sec. 3, ch.
 6 146, SLA 1980, until amended by sec. 12, ch. 106, SLA 1988, is amended to read:

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

15 * Sec. 18. AS 14.25.143(a), as that subsection read following amendment by sec. 12, ch.
 16 106, SLA 1988, until amended by sec. 12, ch. 97, SLA 1990, is amended to read:

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

25 * Sec. 19. AS 14.25.145 is amended to read:

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

29 * Sec. 20. AS 14.25.150 is amended by adding a new subsection to read:

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

1 * Sec. 21. AS 14.25.173(c) is amended to read:

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

14 * Sec. 22. AS 14.25.175(a) is amended to read:

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

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

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

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

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

28 * Sec. 23. AS 14.25.175(b) is amended to read:

29 (b) In order to obtain consideration of a waiver under this section, the affected
30 member or beneficiary shall file a request with [MUST APPEAL TO] the
31 commissioner of administration [BOARD] in writing within 30 days after receipt of

1 notice that the records have been adjusted. The ruling of the commissioner of
2 administration [BOARD] shall be in writing.

3 * Sec. 24. AS 14.25.175(c) is repealed and reenacted to read:

4 (c) A ruling of the commissioner of administration to deny a waiver under (b)
5 of this section may be appealed to the office of administrative hearings.

6 * Sec. 25. AS 14.25.175(d) is amended to read:

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

12 * Sec. 26. AS 14.25.220(2) is amended to read:

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

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

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

24 * Sec. 28. AS 14.25.220(9) is amended to read:

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

27 * Sec. 29. AS 14.25.220(40) is amended to read:

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

1 * Sec. 30. AS 14.25.220(42) is amended to read:

2 (42) "teacher" and "member" are used interchangeably under this
3 chapter and mean a person eligible to participate in the system and who is covered by
4 the system, limited to

5 (A) a certificated full-time or part-time elementary or
6 secondary teacher, a certificated school nurse, or a certificated person in a
7 position requiring a teaching certificate as a condition of employment in a
8 public school of the state, the Department of Education and Early
9 Development, or the Department of Labor and Workforce Development;

10 (B) a full-time or part-time teacher of the University of Alaska
11 or a person occupying a full-time administrative position at the University of
12 Alaska that requires academic standing; the approval of the administrator must
13 be obtained before an administrative position qualifies for membership in the
14 system; however, a teacher or administrative person at the university who is
15 participating in a [THE OPTIONAL] university retirement program under
16 AS 14.40.661 - 14.40.799 is not a member under this system;

17 (C) a state legislator who elects membership under
18 AS 14.25.040(b);

19 * Sec. 31. AS 14.25.220 is amended by adding a new paragraph to read:

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

22 * Sec. 32. AS 14.25 is amended by adding new sections to read:

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

24 **Sec. 14.25.310. Applicability of AS 14.25.310 - 14.25.590.** The provisions of
25 AS 14.25.310 - 14.25.590 apply only to teachers who first become members on or
26 after July 1, 2005, or to members who transfer into the defined contribution plan under
27 AS 14.25.540.

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

30 (b) The defined contribution retirement plan includes a plan in which savings
31 are accumulated in an individual account for the exclusive benefit of the member or

1 beneficiaries. The plan is established effective July 1, 2005, at which time
2 contributions by employers and members begin.

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

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

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

14 (b) A teacher who is participating in a university retirement program under #20
15 AS 14.40.661 - 14.40.799 may not participate as a member of the defined contribution
16 retirement plan.

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

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

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

29 **Sec. 14.25.345. Employment contributions mandatory.** (a) Contributions
30 of members shall be made by payroll deductions. Each member shall be considered to
31 consent to payroll deductions. It is of no consequence that a payroll deduction may

1 cause the compensation paid in cash to a member to be reduced below the minimum
2 required by law.

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

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

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

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

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

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

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

28 (d) In this section,

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

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

3 (3) "eligible retirement plan" means

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

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

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

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

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

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

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

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

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

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

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

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

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

29 **Sec. 14.25.380. Limitations on contributions.** Notwithstanding any other
30 provisions of this plan, the annual additions to each member's individual account
31 under this plan and under all defined contribution plans of the employer required to be

1 aggregated with the contributions from this plan under the provisions of 26 U.S.C. 415
2 may not exceed, for any limitation year, the amount permitted under 26 U.S.C. 415 at
3 any time. If the amount of a member's defined contribution plan contributions exceeds
4 the limitation of 26 U.S.C. 415(c) for any limitation year, the administrator shall take
5 any necessary remedial action to correct an excess contribution. The provisions of 26
6 U.S.C. 415, and the regulations adopted under that statute, as applied to qualified
7 defined contribution plans of governmental employees are incorporated as part of the
8 terms and conditions of the plan.

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

11 (b) A member is fully vested in the employer contributions made on that
12 member's behalf, and related earnings, after five years of service. A member is
13 partially vested in the employer contributions made on that member's behalf, and the
14 related earnings, in the ratio of

15 (1) 25 percent with two years of service;

16 (2) 50 percent with three years of service; and

17 (3) 75 percent with four years of service.

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

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

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

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

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

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

12 **Sec. 14.25.410. Distribution election at termination.** (a) A member is
13 eligible to elect distribution of the member's account in accordance with this section
14 60 days after termination of employment.

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

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

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

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

30 (4) prevention of the eviction of the member from the member's
31 principal residence or foreclosure on the mortgage of the member's principal

1 residence; or

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

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

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

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

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

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

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

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

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

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

31 (6) joint and survivor annuity payment, which is an annuity payable

1 monthly to the member until the first of the month in which the member's death
 2 occurs; after the member's death, a survivor annuity equal to 50 percent or 100 percent
 3 of the member's benefit, as previously elected by the member, shall be paid monthly to
 4 the joint annuitant for the remainder of the survivor's lifetime.

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

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

13 (d) If an unmarried member or other participant fails to elect a form of
 14 payment before the distribution commencement date, the account shall be paid to a
 15 beneficiary in the form of a lump sum to the extent required by the minimum
 16 distribution requirements set out in the Internal Revenue Code. If a married member
 17 fails to elect a form of payment before the distribution commencement date, the
 18 account shall be paid in the form of a 50 percent joint and survivor annuity, with the
 19 member's spouse as the joint annuitant.

20 **Sec. 14.25.430. Manner of electing distributions.** (a) Any election or any
 21 alteration or revocation of a prior election by a participant for any purpose under this
 22 plan shall be on forms or made in a manner prescribed for that purpose by the plan
 23 administrator. To be effective, the forms required or the required action for any
 24 purpose under this plan must be completed and received in accordance with
 25 regulations adopted by the commissioner of administration.

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

- 28 (1) the form of payment election;
- 29 (2) an election to commence benefits; or
- 30 (3) the joint annuitant designation.

31 (c) Changes in elections are not allowed on or after seven days before the

1 distribution commencement date.

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

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

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

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

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

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

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

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

25 (d) If a member has made a distribution election and dies before the
26 distribution of the member's interest begins, distribution of the member's entire interest
27 shall be completed by December 31 of the calendar year containing the fifth
28 anniversary of the member's death. However, if any portion of the member's interest
29 is payable to a designated beneficiary, distributions may be made over the life of the
30 designated beneficiary or over a period certain not greater than the life expectancy of
31 the designated beneficiary, commencing on or before December 31 of the calendar

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1 year immediately following the calendar year in which the member died, and, if the
2 designated beneficiary is the member's surviving spouse, the date distributions are
3 required to begin may not be earlier than the later of December 31 of the calendar year
4 (1) immediately following the calendar year in which the member died, or (2) in which
5 the member would have attained 70 1/2 years of age, whichever is earlier. If the
6 surviving spouse dies after the member but before payments to the spouse have begun,
7 the provisions of this subsection apply as if the surviving spouse were the member.
8 An amount paid to a child of the member shall be treated as if it were paid to the
9 surviving spouse if the amount becomes payable to the surviving spouse when the
10 child reaches the age of majority.

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

20 (f) For purposes of (b) of this section, distribution of a member's interest is
21 considered to begin (1) on the member's required beginning date, or (2) if the
22 designated beneficiary is the member's surviving spouse and the surviving spouse dies
23 after the member but before payments to the spouse have begun, on the date
24 distribution is required to begin to the surviving spouse. If distribution in the form of
25 an annuity irrevocably commences to the member before the required beginning date,
26 the date distribution is considered to begin is the date that the distribution actually
27 commences.

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

31 (h) All distributions required under this section are determined and made in

1 accordance with 26 U.S.C. 401(a)(9) and regulations adopted under that statute,
2 including any minimum distribution incidental benefit requirement.

3 (i) In this section,

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

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

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

21 (1) except to the extent a qualified domestic relations order filed with
22 the administrator provides for payment to a former spouse or other dependent of the
23 member; or

24 (2) unless the member filed a revocation of beneficiary accompanied
25 by a written consent to the revocation from the present spouse and each person entitled
26 under the order; however, consent of the present spouse is not required if the member
27 and the present spouse had been married for less than one year on the date of the
28 member's death and if the member established when filing the revocation that the
29 member and the present spouse were not cohabiting.

30 (b) Except as provided in (a) of this section, the member may change or
31 revoke the designation without notice to the beneficiary or beneficiaries at any time.

1 If a member designates more than one beneficiary, each shares equally unless the
2 member specifies a different allocation or preference. The designation of a
3 beneficiary, a change or revocation of a beneficiary, and a consent to revocation of a
4 beneficiary shall be made on a form provided by the administrator and is not effective
5 until filed with the administrator.

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

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

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

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

13 (4) to the estate.

14 (d) A person claiming entitlement to benefits payable under AS 14.25.310 -
15 14.25.590 as a consequence of a member's death shall provide the administrator with a
16 marriage certificate, divorce or dissolution judgment, or other evidence of entitlement.
17 Documents establishing entitlement may be filed with the administrator immediately
18 after a change in the member's marital status. If the administrator does not receive
19 notification of a claim before the date 10 days after the member's death, the person
20 claiming entitlement is not entitled to receive from the division of retirement and
21 benefits any benefit already paid by the administrator.

22 **Sec. 14.25.460. Rights under qualified domestic relations order.** (a)
23 Notwithstanding the nonalienation provisions in AS 14.25.500(a), the administrator
24 may direct that benefits be paid to someone other than a member or beneficiary under
25 a valid qualified domestic relations order that is executed by the judge of a competent
26 court in accordance with applicable state law and that has been accepted by the
27 administrator.

28 (b) The administrator shall determine whether an order meets the requirements
29 of this section within a reasonable period after receiving an order. The administrator
30 shall notify the member and any alternate payee that an order has been received and
31 indicate to the member and any alternate payee when the order is accepted. A separate

1 account for the alternate payee portion shall be established as soon as administratively
2 feasible after the order has been accepted by the administrator.

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

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

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

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

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

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

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

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

21 **Sec. 14.25.480. Medical benefits.** (a) The medical benefits available to
22 eligible persons are access to the retiree major medical insurance plan and to the
23 health reimbursement arrangement under AS 39.30.300. Access to the retiree major
24 medical insurance plan means that an eligible person may not be denied insurance
25 coverage except for failure to pay the required premium.

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

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

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

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

9 (f) The medical and optional insurance premiums owed by the person who
 10 elects coverage may be deducted from the health reimbursement arrangement. If the
 11 amount of the health reimbursement arrangement becomes insufficient to pay the
 12 premiums, the person who elects coverage under (a) of this section shall pay the
 13 premiums directly.

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

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

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

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

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

24 (C) 20 percent if the member had 20 or more, but less than 25,
 25 years of service;

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

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

29 (h) The eligibility for retiree major medical insurance coverage for an
 30 alternate payee under a qualified domestic relations order shall be determined based
 31 on the eligibility of the member to elect coverage. The alternate payee shall pay the

1 full monthly premium for retiree major medical insurance coverage.

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

3 (1) be informed by the administrator in writing

4 (A) that the health insurance coverage available to retired
5 members may be different from the health insurance coverage provided to
6 employees;

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

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

12 (j) The monthly group premiums for retiree major medical insurance coverage
13 are established by the administrator in accordance with AS 39.30.095. Nothing in
14 AS 14.25.310 - 14.25.590 guarantees a person who elects coverage under (a) of this
15 section a monthly group premium rate for retiree major medical insurance coverage
16 other than the premium in effect for the month in which the premium is due for
17 coverage for a month.

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

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

23 (b) The plan administrator may not modify or amend the plan retroactively in
24 such a manner as to reduce the benefits of any member accrued to date under the plan
25 by reason of contributions made before the modification or amendment except to the
26 extent that the reduction is permitted by the Internal Revenue Code.

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

31 (d) Any contribution made by an employer to the plan because of a mistake of

1 fact must be returned to the employer by the administrator within one year after the
2 contribution or discovery, whichever is later.

3 **Sec. 14.25.500. Exclusive benefit.** (a) The corpus or income of the assets
4 held in trust as required by the plan may not be diverted or used for other than the
5 exclusive benefit of the participants.

6 (b) If plan benefits are provided through the distribution of annuity or
7 insurance contracts, any refunds or credits in excess of plan benefits due to dividends,
8 earnings, or other experience rating credits, or surrender or cancellation credits, shall
9 be paid to the trust fund.

10 (c) The assets of the plan may not be used to pay premiums or contributions of
11 the employer under another plan maintained by the employer.

12 **Sec. 14.25.510. Nonguarantee of returns, rates, or benefit amounts.** The
13 plan created by AS 14.25.310 - 14.25.590 is a defined contribution plan, not a defined
14 benefit plan. The amount of money in the account of a participant depends on the
15 amount of contributions and the rate of return from investments of the account that
16 varies over time. If benefits are paid in the form of an annuity, the benefit amount
17 payable is dependent on the amount of money in the account and the interest rates
18 applied and service fees charged by the annuity payor at the time benefits are first
19 paid. Nothing in this plan guarantees a participant

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

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

25 **Sec. 14.25.520. Nonguarantee of employment.** The provisions of
26 AS 14.25.310 - 14.25.590 are not a contract of employment between an employer and
27 an employee, nor do they confer a right of an employee to be continued in the
28 employment of an employer, nor are they a limitation of the right of an employer to
29 discharge an employee with or without cause.

30 **Sec. 14.25.530. Fraud.** A person who knowingly makes a false statement or
31 falsifies or permits to be falsified a record of this plan in an attempt to defraud the plan

1 is guilty of a class A misdemeanor.

2 Sec. 14.25.540. Transfer into defined contribution retirement plan by
3 nonvested members of defined benefit retirement plan. (a) Subject to (g) of this
4 section, an active member of the defined benefit retirement plan of the teachers'
5 retirement system is eligible to participate in the defined contribution retirement plan
6 established under AS 14.25.310 - 14.25.590 if that member has not vested.
7 Participation in the defined contribution retirement plan is in lieu of participation in
8 the defined benefit retirement plan established under AS 14.25.009 - 14.25.220.

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

11 (c) Each eligible member who elects to participate in the defined contribution
12 retirement plan shall have transferred to a new account the present value of the
13 member contribution account balance held in trust for the member under the defined
14 benefit retirement plan of the teachers' retirement system. A matching employer
15 contribution shall be made on behalf of that employee to the new account. Upon a
16 transfer, all service credit previously earned under the defined benefit retirement plan
17 shall be nullified for purposes of entitlement to a future benefit under the defined
18 benefit retirement plan but shall be credited for purposes of eligibility to elect medical
19 benefits under AS 14.25.470. An eligible member whose accounts are subject to a
20 qualified domestic relations order may not make an election to participate in the
21 defined contribution retirement plan under this subsection unless the qualified
22 domestic relations order is amended or vacated and court-certified copies of the order
23 are received by the administrator.

24 (d) As directed by the participant, the board shall transfer or cause to be
25 transferred the appropriate amounts to the designated account. The board shall
26 establish transfer procedures by regulation, but the actual transfer may not be later
27 than 30 days after the effective date of the member's participation in the defined
28 contribution retirement plan unless the major financial markets for securities available
29 for a transfer are seriously disrupted by an unforeseen event that also causes the
30 suspension of trading on any national securities exchange in the country where the
31 securities were issued. In that event, the 30-day period of time may be extended by a

1 resolution of the board of trustees. Transfers are not commissionable or subject to
2 other fees and may be in the form of securities or cash as determined by the board.
3 Securities shall be valued as of the date of receipt in the participant's account.

4 (e) If the board or the administrator receives notification from the United
5 States Department of the Treasury, Internal Revenue Service, that this section or a
6 portion of this section will cause the retirement system under this chapter, or a portion
7 of the retirement system under this chapter, to be disqualified for tax purposes under
8 the Internal Revenue Code, the portion that will cause the disqualification does not
9 apply, and the board and the administrator shall notify the presiding officers of the
10 legislature.

11 (f) The election to participate in the defined contribution retirement plan must
12 be made in writing on forms and in the manner prescribed by the administrator.
13 Before accepting an election to participate in the defined contribution retirement plan,
14 the administrator must provide the employee planning on making an election to
15 participate in the defined contribution retirement plan with information, including
16 calculations to illustrate the effect of moving the employee's retirement plan from the
17 defined benefit retirement plan to the defined contribution retirement plan as well as
18 other information to clearly inform the employee of the potential consequences of the
19 employee's election. An election made under this subsection to participate in the
20 defined contribution retirement plan is irrevocable. Upon making the election, the
21 participant shall be enrolled as a member of the defined contribution retirement plan,
22 the member's participation in the plan shall be governed by the provisions of
23 AS 14.25.310 - 14.25.590, and the member's participation in the defined benefit
24 retirement plan under AS 14.25.009 - 14.25.220 shall terminate. The participant's
25 enrollment in the defined contribution retirement plan shall be effective the first day of
26 the month after the administrator receives the completed enrollment forms. An
27 election made by an eligible member who is married is not effective unless the
28 election is signed by the individual's spouse.

29 (g) A member may make an election under this section only if the member's
30 employer participates in both the defined benefits retirement plan and the defined
31 contribution retirement plan and consents to transfers under this section. The

1 employer shall notify the administrator if the employer consents to allowing the
 2 employer's members to choose to transfer from the defined benefits retirement plan to
 3 the defined contribution retirement plan under this section. An employer's notice to
 4 allow transfers is irrevocable and applicable to all eligible employees of the employer.

5 (h) In this section,

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

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

10 **Sec. 14.25.550. Membership in teachers' and public employees'**
 11 **retirement systems.** A person who is employed at least half-time in the public
 12 employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990) during the
 13 same period that the person is employed at least half-time in a position in the teachers'
 14 defined contribution retirement plan (AS 14.25.310 - 14.25.590) shall receive credited
 15 service under each plan for half-time employment. However, the amount of credited
 16 service a person receives under the public employees' defined contribution retirement
 17 plan during a school year may not exceed the amount necessary, when added to the
 18 amount of credited service earned during the school year under the teachers' defined
 19 contribution retirement plan, to equal one year of credited service.

20 **Sec. 14.25.560. Legislators who have been teachers.** (a) A state legislator
 21 who was an active member of the defined contribution plan under other sections of
 22 AS 14.25.310 - 14.25.590 within the 12 months immediately preceding election to
 23 office may, subject to the requirements of (b) of this section, elect to be an active
 24 member of the teachers' defined contribution retirement plan for as long as the state
 25 legislator serves continuously as a state legislator if, within 90 days after taking the
 26 oath of office,

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

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

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

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

3 (ii) an amount equal to the difference between the total
4 employer and state contributions required for a member under
5 AS 14.25.310 - 14.25.590 and the employer contributions that would be
6 required under the public employees' defined contribution retirement
7 plan (AS 39.35.700 - 39.35.990) if the legislator were covered under
8 that plan; and

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

10 (b) A state legislator is not entitled to elect membership under (a) of this
11 section if the state legislator is covered for the same period of service under the public
12 employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990). An
13 election of membership under (a) of this section is retroactive to the date the state
14 legislator took the oath of office. A state legislator may not receive membership credit
15 under (a) of this section for legislative service performed before the legislative session
16 during which the state legislator elected membership under (a) of this section. In order
17 to continue in membership service under (a) of this section, the state legislator must
18 earn at least 0.3 years of membership service under other sections of AS 14.25.310 -
19 14.25.590 during each five-year period.

20 **Sec. 14.25.570. Participation by National Education Association**
21 **employees.** An employee or former employee of the National Education Association
22 of Alaska may participate in the teachers' defined contribution retirement plan under
23 AS 14.25.310 - 14.25.590 if the employee or former employee possesses or is eligible
24 to possess a teacher certificate under AS 14.20.020.

25 **Sec. 14.25.580. Participation by Special Education Service Agency**
26 **employees.** An employee of the Special Education Service Agency may participate in
27 the system under this chapter if the employee possesses or is eligible to possess a
28 teacher certificate under AS 14.20.020.

29 **Sec. 14.25.590. Definitions.** In AS 14.25.310 - 14.25.590, unless the context
30 requires otherwise,

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

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

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

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

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

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

10 (7) "compensation"

11 (A) means

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

16 (ii) the member contribution to the teachers' retirement
17 system under AS 14.25.340;

18 (B) does not include retirement benefits, severance pay or other
19 separation bonuses, welfare benefits, per diem, expense allowances, workers'
20 compensation payments, payments for leave not used whether those leave
21 payments are scheduled payments, lump-sum payments, donations, or cash-ins,
22 any remuneration contributed by the employer for or on account of the
23 employee under this plan or under any other qualified or nonqualified
24 employee benefit plan, any remuneration not specifically included above
25 which would have been excluded under 26 U.S.C. 3121(a) (Internal Revenue
26 Code) if the employer had remained in the Federal Social Security System, or
27 any remuneration paid by the employer in excess of the Social Security
28 Taxable Wage Base for the calendar year;

29 (C) notwithstanding (B) of this paragraph, includes any amount
30 that is contributed by the employer under a salary reduction agreement and that
31 is not includible in the gross income of the employee under 26 U.S.C. 125,

1 132(f)(4), 402(c)(3), 402(h)(1)(B) or 403(b) (Internal Revenue Code); the
2 annual compensation limitation for the member, which is so taken into account
3 for those purposes, may not exceed \$200,000, as adjusted for the cost of living
4 in accordance with 26 U.S.C. 401(a)(17)(B) (Internal Revenue Code), with the
5 limitation for a fiscal year being the limitation in effect for the calendar year
6 within which the fiscal year begins;

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

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

10 (10) "employer" means a public school district, the Board of Regents
11 of the University of Alaska, the Department of Education and Early Development, or
12 the regional resource centers;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

19 (C) sets out the amount or percentage of the member's benefit,
20 or of any survivor's benefit, to be paid to the alternate payee, or sets out the
21 manner in which that amount or percentage is to be determined;

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

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

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

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

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

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

3 (24) "retirement fund" or "fund" means the fund in which the assets of
4 the plan, including income and interest derived from the investment of money, are
5 deposited and held;

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

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

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

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

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

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

25 (A) during any school year,

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

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

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

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

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

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

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

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

3 years;

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

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

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

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

10 * Sec. 33. AS 14.40.280(c) is amended to read:

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

18 * Sec. 34. AS 14.40.400(b) is amended to read:

19 (b) The Board of Regents is the fiduciary of the fund. The Board of Regents
20 shall account for and invest the fund. In carrying out its investment responsibilities
21 under this subsection, the Board of Regents has the same powers and duties with
22 respect to the fund as are provided to and required of the Alaska Retirement
23 Management [STATE PENSION INVESTMENT] Board under AS 37.10.210
24 [AS 14.25.180].

25 * Sec. 35. AS 14.40.661 is amended to read:

26 Sec. 14.40.661. Authority of board. (a) The board may establish and
27 maintain [AN OPTIONAL] university retirement programs [PROGRAM] for
28 eligible employees in which retirement, health, and death benefits are provided
29 through the purchase of annuity contracts, either fixed, variable, or a combination of
30 fixed and variable. Participation in a university retirement [THE] program is in
31 place of participation in a state retirement system. The university may establish

1 retirement programs for new employees in a participating position at any time.

2 Retirement programs may be optional or mandatory.

3 (b) The board shall

4 (1) provide for the administration of the retirement programs
5 [PROGRAM], including procedures for resolving complaints from participating
6 employees;

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

9 (A) nature and extent of the rights and benefits that the
10 contracts will provide to employees who elect to participate and to their
11 beneficiaries;

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

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

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

19 (E) efficacy of the contracts in the recruitment and retention of
20 faculty and administrators;

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

25 * Sec. 36. AS 14.40.661 is amended by adding a new subsection to read:

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

29 * Sec. 37. AS 14.40.671(b) is amended to read:

30 (b) An election under (a) of this section to participate in a university
31 retirement [THE] program is irrevocable. The election shall be made in writing on a

1 form provided by the board and approved for the state by the commissioner of
 2 administration. The form must be filed with the university not [BOARD NO] later
 3 than 30 days after the date on which the employee is notified by the university that
 4 the employee is [FIRST BECOMES] eligible to participate in the program. A copy of
 5 the form shall be delivered to the appropriate state retirement system. The election
 6 becomes irrevocable on the date it is received by the board.

7 * Sec. 38. AS 14.40.671(c) is amended to read:

8 (c) Participation in a university retirement [THE ELECTION TO
 9 PARTICIPATE IN THE] program constitutes a waiver of all rights and benefits under
 10 the state retirement systems earned on or after the effective date of the election if the
 11 participation is optional, or the effective date of the participation if the
 12 participation is mandatory, and while the employee is participating in a university
 13 retirement [THE] program.

14 * Sec. 39. AS 14.40.671(d) is amended to read:

15 (d) Except as provided in (e) of this section, if a nonvested member of a state
 16 retirement system participates [ELECTS TO PARTICIPATE] in a university
 17 retirement [THE] program, the employee may choose to transfer the amount in the
 18 employee's contribution account to a university retirement [THE] program. If the
 19 employee chooses to transfer the account, the appropriate state retirement system shall
 20 pay to the university on behalf of the employee an amount equal to the balance in the
 21 account. The payment must be made within 45 days after notice of the employee's
 22 decision to transfer the employee's contribution account to a university
 23 retirement program [THE ELECTION] is received by the state retirement system.
 24 The financial officer of the university shall [IMMEDIATELY] pay the amount
 25 received to the designated company or companies for the benefit of the employee as
 26 soon as possible. An employee who transfers assets under this subsection may not
 27 reclaim the corresponding service in the state retirement system if the employee is
 28 reemployed under the state retirement system.

29 * Sec. 40. AS 14.40.671(e) is amended to read:

30 (e) An employee whose rights to transfer assets out of a state retirement
 31 system are subject to a qualified domestic relations order is entitled to transfer assets

1 from the state retirement system to a university retirement [THE] program only if
 2 the requirements for receiving a refund under AS 14.25.150(b), 14.25.360, [OR]
 3 AS 39.35.200(c), or 39.35.760, as appropriate, are met.

4 * Sec. 41. AS 14.40.671(f) is amended to read:

5 (f) If a vested member of a state retirement system participates [ELECTS TO
 6 PARTICIPATE] in a university retirement [THE] program, the employee ceases to
 7 be an active member of the state retirement system on the effective date of the
 8 participation in a university retirement [THE] program. The employee retains all
 9 benefits accrued in the state retirement system.

10 * Sec. 42. AS 14.40.671(g) is amended to read:

11 (g) An employee who does not [ELECT TO] participate in a university
 12 retirement [THE] program under this section becomes or remains a member of the
 13 appropriate state retirement system.

14 * Sec. 43. AS 14.40.671 is amended by adding new subsections to read:

15 (h) Notwithstanding (a) of this section, the university may establish a
 16 mandatory retirement program for new employees.

17 (i) Notwithstanding (b) of this section, the university may offer an employee
 18 who made an election not to participate in an optional university retirement program at
 19 the time the employee was eligible to participate in the program an option to enroll in
 20 a different university retirement program first established by the university after the
 21 effective date of this subsection.

22 * Sec. 44. AS 14.40.681 is amended to read:

23 **Sec. 14.40.681. Retirement system membership.** An [ELIGIBLE] employee
 24 participating [ELECTING TO PARTICIPATE] in a university retirement [THE]
 25 program may not participate in a state retirement system during the time the employee
 26 is employed in a participating position. If the employee is later employed in a position
 27 covered by a state retirement system that is not a participating position, the employee
 28 may not continue to participate in a university retirement [THE] program and shall
 29 begin to participate in the state retirement system.

30 * Sec. 45. AS 14.40.691(c) is amended to read:

31 (c) The board may specify that contributions required by this section are made

1 by a reduction in salary under 26 U.S.C. 403(b) or 26 U.S.C. 414(h)(2) (Internal
2 Revenue Code).

3 * Sec. 46. AS 14.40.701 is amended to read:

4 Sec. 14.40.701. **Benefits.** Payment of benefits to participants of the program
5 is the responsibility of the company or companies designated by the board and is not
6 the responsibility of the board, the university, or the state. The benefits are payable to
7 participants or their beneficiaries in accordance with the terms of the applicable
8 retirement plan document [ANNUITY CONTRACT OR CONTRACTS.
9 HOWEVER, RETIREMENT BENEFITS MUST BE PAID IN THE FORM OF A
10 LIFETIME INCOME. EXCEPT FOR DEATH BENEFITS, A SINGLE-SUM CASH
11 PAYMENT IS NOT PERMITTED UNDER THIS SECTION].

12 * Sec. 47. AS 14.40.799(3) is amended to read:

13 (3) "contribution account" means the member contribution account
14 under AS 14.25.009 - 14.25.220, the individual account under AS 14.25.310 -
15 14.25.590, [AS 14.25 OR] the employee contribution account under AS 39.35.095 -
16 39.35.680, or the individual account under AS 39.35.700 - 39.35.990 [AS 39.35],
17 whichever is appropriate;

18 * Sec. 48. AS 14.40.799(5) is amended to read:

19 (5) "participating position" means a position that is a permanent
20 position that is at least a .5 full-time appointment and is included in the applicable
21 retirement plan document [AS

22 (A) A FACULTY APPOINTMENT; OR

23 (B) AN ADMINISTRATOR AND THE POSITION HAS
24 BEEN DESIGNATED BY THE BOARD FOR INCLUSION IN THE
25 PROGRAM];

26 * Sec. 49. AS 14.40.799(6) is amended to read:

27 (6) "program" means a [THE OPTIONAL] university retirement
28 program;

29 * Sec. 50. AS 14.40.799 is amended by adding a new paragraph to read:

30 (8) "university" means the University of Alaska.

31 * Sec. 51. AS 22.25.048(c) is amended to read:

1 (c) The Alaska Retirement Management [STATE PENSION
2 INVESTMENT] Board is the fiduciary of the fund and has the same powers and
3 duties under this section in regard to the judicial retirement trust fund as are provided
4 in AS 37.10.210 [AS 14.25.180].

5 * Sec. 52. AS 22.25.900(1) is amended to read:

6 (1) "actuarial equivalent" means the adjustment necessary to obtain
7 equality in value of the aggregate expected payments under two different forms of
8 pension payments, considering expected mortality and interest earnings on the basis of
9 assumptions, factors, and methods specified in regulations issued under the system
10 that are formally adopted [UNDER AS 22.25.027] by the Alaska Retirement
11 Management Board [COMMISSIONER OF ADMINISTRATION] that clearly
12 preclude employer discretion in the determination of the amount of any justice's,
13 judge's, or member's benefit;

14 * Sec. 53. AS 26.05.226(a) is amended to read:

15 (a) The Department of Military and Veterans' Affairs shall contribute to the
16 Alaska National Guard and Alaska Naval Militia retirement system the amounts
17 determined by the Alaska Retirement Management Board [COMMISSIONER OF
18 ADMINISTRATION] as necessary to

19 (1) fund the system based on the actuarial requirements of the system
20 as established by the Alaska Retirement Management Board [COMMISSIONER
21 OF ADMINISTRATION]; and

22 (2) administer the system.

23 * Sec. 54. AS 26.05.228(c) is amended to read:

24 (c) The Alaska Retirement Management [STATE PENSION
25 INVESTMENT] Board is the fiduciary of the fund and has the same powers and
26 duties under this section in regard to the fund as are provided under AS 37.10.220
27 [AS 14.25.180].

28 * Sec. 55. AS 36.30.015(f) is amended to read:

29 (f) The board of directors of the Alaska Housing Finance Corporation,
30 notwithstanding AS 18.56.088, and the board of directors of the Knik Arm Bridge and
31 Toll Authority under AS 19.75.111, shall adopt regulations under AS 44.62

1 (Administrative Procedure Act) and the board of trustees of the Alaska Retirement
 2 Management [STATE PENSION INVESTMENT] Board shall adopt regulations
 3 under AS 37.10.240 to govern the procurement of supplies, services, professional
 4 services, and construction for the respective public corporation and board. The
 5 regulations must reflect competitive bidding principles and provide vendors
 6 reasonable and equitable opportunities to participate in the procurement process and
 7 must include procurement methods to meet emergency and extraordinary
 8 circumstances. Notwithstanding the other provisions of this subsection, the Alaska
 9 Housing Finance Corporation, the Knik Arm Bridge and Toll Authority, and the
 10 Alaska Retirement Management [STATE PENSION INVESTMENT] Board shall
 11 comply with AS 36.30.170(b).

12 * Sec. 56. AS 36.30.990(1) is amended to read:

13 (1) "agency"

14 (A) means department, institution, board, commission,
 15 division, authority, public corporation, the Alaska Pioneers' Home, the Alaska
 16 Veterans' Home, or other administrative unit of the executive branch of state
 17 government;

18 (B) does not include

19 (i) the University of Alaska;

20 (ii) the Alaska Railroad Corporation;

21 (iii) the Alaska Housing Finance Corporation;

22 (iv) a regional Native housing authority created under
 23 AS 18.55.996 or a regional electrical authority created under
 24 AS 18.57.020;

25 (v) the Department of Transportation and Public
 26 Facilities, in regard to the repair, maintenance, and reconstruction of
 27 vessels, docking facilities, and passenger and vehicle transfer facilities
 28 of the Alaska marine highway system;

29 (vi) the Alaska Aerospace Development Corporation;

30 (vii) the Alaska Retirement Management [STATE
 31 PENSION INVESTMENT] Board;

(viii) the Alaska Seafood Marketing Institute;

* Sec. 57. 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. 58. AS 37.10.071(f) is amended to read:

(f) In this section, "fiduciary of a state fund" or "fiduciary" means

(1) the commissioner of revenue for investments under AS 37.10.070;

or

(2) with respect to the Alaska Retirement Management [STATE PENSION INVESTMENT] Board, for investments of the collective funds that it manages and administers [UNDER OR SUBJECT TO AS 14.25.180],

(A) each trustee who serves on the board of trustees; and

(B) any other person who exercises control or authority with respect to management or disposition of assets for which the board is responsible or who gives investment advice to the board; or

(3) the person or body provided by law to manage the investments for investments not subject to [AS 14.25.180 OR] AS 37.10.070.

1 * Sec. 59. AS 37.10.210 is repealed and reenacted to read:

2 **Sec. 37.10.210. Alaska Retirement Management Board.** (a) The Alaska
3 Retirement Management Board is established in the Department of Revenue. The
4 board's primary mission is to serve as the trustee of the assets of the state's retirement
5 systems, the State of Alaska Supplemental Annuity Plan, and the deferred
6 compensation program for state employees. Consistent with standards of prudence,
7 the board has the fiduciary obligation to manage and invest these assets in a manner
8 that is sufficient to meet the liabilities and pension obligations of the systems, plan,
9 and program. The board may, with the approval of the commissioner of revenue and
10 upon agreement with the responsible fiduciary, manage and invest other state funds so
11 long as the activity does not interfere with the board's primary mission. In making
12 investments, the board shall exercise the powers and duties of a fiduciary of a state
13 fund under AS 37.10.071.

14 (b) The Alaska Retirement Management Board consists of nine trustees. The
15 commissioner of administration and the commissioner of revenue shall serve on the
16 board. The governor shall appoint seven additional trustees who meet the eligibility
17 requirements for an Alaska permanent fund dividend and who are professionally
18 credentialed or have recognized competence in investment management, finance,
19 banking, economics, accounting, pension administration, or actuarial analysis as
20 follows:

21 (1) three trustees shall be appointed from the general public; a trustee
22 appointed under this paragraph may not hold another state office, position, or
23 employment and may not be a member or beneficiary of a retirement system managed
24 by the board;

25 (2) one trustee shall be employed as a finance officer for a political
26 subdivision participating in the public employees' retirement system;

27 (3) one trustee shall be employed as a finance officer for a political
28 subdivision participating in the teachers' retirement system;

29 (4) one trustee shall be a member of the public employees' retirement
30 system,

31 (5) one trustee shall be a member of the teachers' retirement system.

1 (c) The trustees, other than the two commissioners, shall serve for staggered
 2 terms of three years and may be reappointed to the board for a total of three
 3 consecutive terms. A person who has served three consecutive terms may not be
 4 reappointed to the board for at least one year.

5 (d) The governor may, by written notice to the trustee, remove a trustee for
 6 cause. After a trustee receives written notice of removal, the trustee may not
 7 participate in board business and may not be counted for purposes of establishing a
 8 quorum.

9 (e) A vacancy on the board of trustees shall be promptly filled. A person
 10 filling a vacancy holds office for the balance of the unexpired term of the person's
 11 predecessor, and the balance of the unexpired term served is not included in the three-
 12 term limitation under (c) of this section. A vacancy on the board does not impair the
 13 authority of a quorum of the board to exercise all the powers and perform all the duties
 14 of the board.

15 (f) Five trustees constitute a quorum for the transaction of business and the
 16 exercise of the powers and duties of the board.

17 (g) A trustee may not designate another person to serve on the board in the
 18 absence of the trustee.

19 (h) The board shall provide annual training to its members on the duties and
 20 powers of a fiduciary of a state fund and other training as necessary to keep the
 21 members of the board educated about pension management and investment.

22 (i) The board shall elect a trustee to serve as chair and a trustee to serve as
 23 vice-chair for one-year terms. A trustee may be reelected to serve additional terms as
 24 chair or vice-chair.

25 * Sec. 60. AS 37.10 is amended by adding a new section to read:

26 **Sec. 37.10.215. Attorney general.** The attorney general is the legal counsel
 27 for the board and shall advise the board and represent it in a legal proceeding.

28 * Sec. 61. AS 37.10.220 is repealed and reenacted to read:

29 **Sec. 37.10.220. Powers and duties of the board.** (a) The board shall

30 (1) hold regular and special meetings at the call of the chair or of at
 31 least five members; meetings are open to the public, and the board shall keep a full

1 record of all its proceedings;

2 (2) after reviewing recommendations from the Department of
3 Revenue, adopt investment policies for each of the funds entrusted to the board;

4 (3) determine the appropriate investment objectives for the defined
5 benefit plans established under the teachers' retirement system under AS 14.25 and the
6 public employees' retirement system under AS 39.35;

7 (4) provide a range of investment options and establish the rules by
8 which participants can direct their investments among those options with respect to
9 accounts established under

10 (A) AS 14.25.340 and 14.25.350 (teachers' retirement system
11 defined contribution individual accounts);

12 (B) AS 39.30.150 - 39.30.180 (State of Alaska Supplementary
13 Annuity Plan);

14 (C) AS 39.35.730 - 39.35.750 (public employees' retirement
15 system defined contribution individual accounts); and

16 (D) AS 39.45.010 - 39.45.060 (public employees' deferred
17 compensation program);

18 (5) establish the rate of interest that shall be annually credited to each
19 member's individual contribution account in accordance with AS 14.25.145 and
20 AS 39.35.100 and the rate of interest that shall be annually credited to each member's
21 account in the health reimbursement arrangement plan under AS 39.30.300 -
22 39.30.495; the rate of interest shall be adopted on the basis of the probable effective
23 rate of interest on a long-term basis, and the rate may be changed from time to time;

24 (6) adopt a contribution surcharge as necessary under AS 39.35.160(c);

25 (7) coordinate with the retirement system administrator to have an
26 annual actuarial valuation of each retirement system prepared to determine system
27 assets, accrued liabilities, and funding ratios and to certify to the appropriate
28 budgetary authority of each employer in the system

29 (A) an appropriate contribution rate for normal costs; and

30 (B) an appropriate contribution rate for liquidating any past
31 service liability;

1 (8) review actuarial assumptions prepared and certified by a member
 2 of the American Academy of Actuaries and conduct experience analyses of the
 3 retirement systems not less than once every four years, except for health cost
 4 assumptions, which shall be reviewed annually; the results of all actuarial assumptions
 5 prepared under this paragraph shall be reviewed and certified by a second member of
 6 the American Academy of Actuaries before presentation to the board;

7 (9) contract for an independent audit of the state's actuary not less than
 8 once every four years;

9 (10) contract for an independent audit of the state's performance
 10 consultant not less than once every four years;

11 (11) obtain an external performance review to evaluate the investment
 12 policies of each fund entrusted to the board and report the results of the review to the
 13 appropriate fund fiduciary;

14 (12) by the first day of each regular legislative session, report to the
 15 governor, the legislature, and the individual employers participating in the state's
 16 retirement systems on the financial condition of the systems in regard to

17 (A) the valuation of trust fund assets and liabilities;

18 (B) current investment policies adopted by the board;

19 (C) a summary of assets held in trust listed by the categories of
 20 investment;

21 (D) the income and expenditures for the previous fiscal year;

22 (E) the return projections for the next calendar year;

23 (F) one-year, three-year, five-year, and 10-year investment
 24 performance for each of the funds entrusted to the board; and

25 (G) other statistical data necessary for a proper understanding
 26 of the financial status of the systems;

27 (13) submit quarterly updates of the investment performance reports to
 28 the Legislative Budget and Audit Committee; and

29 (14) develop an annual operating budget.

30 (b) The board may

31 (1) employ outside investment advisors to review investment policies;

1 (2) enter into an agreement with the fiduciary of another state fund in
2 order to assume the management and investment of those assets;

3 (3) contract for other services necessary to execute the board's powers
4 and duties;

5 (4) enter into confidentiality agreements that would exempt records
6 from AS 40.25.110 and 40.25.120 if the records contain information that could affect
7 the value of investment by the board or that could impair the ability of the board to
8 acquire, maintain, or dispose of investments.

9 (c) Expenses for the board and the operations of the board shall be paid from
10 the retirement fund.

11 * Sec. 62. AS 37.10.250 is amended to read:

12 Sec. 37.10.250. Compensation of trustees. Trustees, other than trustees who
13 are employees of the state, [OR] a political subdivision of the state, or a school
14 district or regional educational attendance area in the state, receive an honorarium
15 of \$150 for each day spent at a meeting of the board or at a meeting of a subcommittee
16 of the board or at a public meeting as a representative of the board, including a day in
17 which a trustee travels to or from a meeting. Trustees who are state employees are
18 entitled to administrative leave for service as a trustee. Trustees who are employees of
19 a political subdivision of the state or a school district or regional educational
20 attendance area in the state are entitled to leave benefits provided by their employers
21 comparable to those provided to state employees for service as a trustee. Trustees are
22 entitled to per diem and travel expenses authorized for boards and commissions under
23 AS 39.20.180.

24 * Sec. 63. AS 37.10.270(a) is amended to read:

25 (a) The board may [SHALL] appoint an investment advisory council
26 composed of at least three and not more than five members. Members of the council
27 shall possess experience and expertise in financial investments and management of
28 investment portfolios for public, corporate, or union pension benefit funds,
29 foundations, or endowments.

30 * Sec. 64. AS 37.10.390 is amended to read:

31 Sec. 37.10.390. Definitions. In AS 37.10.210 - 37.10.390, unless the context

1 otherwise requires,

2 (1) "board" means the board of trustees of the Alaska Retirement
3 Management [STATE PENSION INVESTMENT] Board;

4 (2) "fund" means the fund or funds composed of the assets of each
5 of the retirement systems administered and managed by the board;

6 (3) "recognized competence" means a minimum of 10 years'
7 professional ~~deleted "working"~~ experience working or teaching in the field of investment
8 management, finance, banking, economics, accounting, pension administration,
9 or actuarial analysis;

10 (4) "retirement systems" or "systems" means the teachers' retirement
11 system, the judicial retirement system, the Alaska National Guard and Alaska Naval
12 Militia retirement system, [AND] the public employees' retirement system, the State
13 of Alaska teachers' and public employees' retiree health reimbursement
14 arrangement plan, and the elected public officers' retirement system under
15 former AS 39.37.

16 * Sec. 65. AS 37.14.160 is amended to read:

17 Sec. 37.14.160. Duties of the commissioner of revenue. The commissioner
18 of revenue is the treasurer of the trust fund created in AS 37.14.110 and shall

19 (1) in carrying out investment duties under this section, exercise the
20 same powers and duties established for the Alaska Retirement Management [STATE
21 PENSION INVESTMENT] Board in AS 37.10.210 [AS 14.25.180(c)];

22 (2) deposit the principal and income from investments in separate
23 principal and income accounts for the fund;

24 (3) invest and maintain accounting records that distinguish between the
25 principal and income of the fund;

26 (4) provide reports to the board established under AS 37.14.120 on the
27 condition and investment performance of the fund.

28 * Sec. 66. AS 37.14.210(4) is amended to read:

29 (4) invest and reinvest the assets of the trust as provided in this section
30 and as provided for the investment of funds under [AS 14.25.180(c) AND]
31 AS 37.14.170;

#19

1 * Sec. 67. AS 37.14.520(4) is amended to read:

2 (4) invest and reinvest the assets of the fund as provided in this section
3 and as provided for the investment of funds under [AS 14.25.180(c) AND]
4 AS 37.14.170;

5 * Sec. 68. AS 37.14.610 is amended to read:

6 Sec. 37.14.610. Duties of the commissioner. The commissioner of revenue
7 has the power and duty to

8 (1) act as official custodian of the cash and investments belonging to
9 the Arctic Winter Games Team Alaska trust by securing adequate and safe custodial
10 facilities;

11 (2) exercise the same powers and duties as those established for the
12 Alaska Retirement Management [STATE PENSION INVESTMENT] Board in
13 AS 37.10.210 [AS 14.25.180(b) AND (c)];

14 (3) invest the assets of the trust in a manner likely to yield at least five
15 percent real rate of return over time;

16 (4) maintain accounting records of the trust in accordance with
17 investment accounting principles;

18 (5) enter into and enforce contracts or agreements considered
19 necessary for the investment purposes of the trust;

20 (6) report annually to the board of directors of the Arctic Winter
21 Games Team Alaska the condition and performance of the trust;

22 (7) monitor use of trust money by the Arctic Winter Games Team
23 Alaska; and

24 (8) do all acts that the commissioner of revenue considers necessary or
25 proper in administering the assets of the trust.

26 * Sec. 69. AS 39.30.090(a) is amended to read:

27 (a) The Department of Administration may obtain a policy or policies of group
28 insurance covering state employees, persons entitled to coverage under AS 14.25.168,
29 14.25.480, AS 22.25.090, AS 39.35.535, 39.35.880, or former AS 39.37.145,
30 employees of other participating governmental units, or persons entitled to coverage
31 under AS 23.15.136, subject to the following conditions:

1 (1) A group insurance policy shall provide one or more of the
2 following benefits: life insurance, accidental death and dismemberment insurance,
3 weekly indemnity insurance, hospital expense insurance, surgical expense insurance,
4 dental expense insurance, audiovisual insurance, or other medical care insurance.

5 (2) Each eligible employee of the state, the spouse and the unmarried
6 children chiefly dependent on the eligible employee for support, and each eligible
7 employee of another participating governmental unit shall be covered by the group
8 policy, unless exempt under regulations adopted by the commissioner of
9 administration.

10 (3) A governmental unit may participate under a group policy if

11 (A) its governing body adopts a resolution authorizing
12 participation, and payment of required premiums;

13 (B) a certified copy of the resolution is filed with the
14 Department of Administration; and

15 (C) the commissioner of administration approves the
16 participation in writing.

17 (4) In procuring a policy of group health or group life insurance as
18 provided under this section or excess loss insurance as provided in AS 39.30.091, the
19 Department of Administration shall comply with the dual choice requirements of
20 AS 21.86.310, and shall obtain the insurance policy from an insurer authorized to
21 transact business in the state under AS 21.09, a hospital or medical service corporation
22 authorized to transact business in this state under AS 21.87, or a health maintenance
23 organization authorized to operate in this state under AS 21.86. An excess loss
24 insurance policy may be obtained from a life or health insurer authorized to transact
25 business in this state under AS 21.09 or from a hospital or medical service corporation
26 authorized to transact business in this state under AS 21.87.

27 (5) The Department of Administration shall make available bid
28 specifications for desired insurance benefits or for administration of benefit claims and
29 payments to (A) all insurance carriers authorized to transact business in this state
30 under AS 21.09 and all hospital or medical service corporations authorized to transact
31 business under AS 21.87 who are qualified to provide the desired benefits; and (B) to

1 insurance carriers authorized to transact business in this state under AS 21.09, hospital
2 or medical service corporations authorized to transact business under AS 21.87, and
3 third-party administrators licensed to transact business in this state and qualified to
4 provide administrative services. The specifications shall be made available at least
5 once every five years. The lowest responsible bid submitted by an insurance carrier,
6 hospital or medical service corporation, or third-party administrator with adequate
7 servicing facilities shall govern selection of a carrier, hospital or medical service
8 corporation, or third-party administrator under this section or the selection of an
9 insurance carrier or a hospital or medical service corporation to provide excess loss
10 insurance as provided in AS 39.30.091.

11 (6) If the aggregate of dividends payable under the group insurance
12 policy exceeds the governmental unit's share of the premium, the excess shall be
13 applied by the governmental unit for the sole benefit of the employees.

14 (7) A person receiving benefits under AS 14.25.110, AS 22.2.,
15 AS 39.35, or former AS 39.37 may continue the life insurance coverage that was in
16 effect under this section at the time of termination of employment with the state or
17 participating governmental unit.

18 (8) A person electing to have insurance under (7) of this subsection
19 shall pay the cost of this insurance.

20 (9) For each permanent part-time employee electing coverage under
21 this section, the state shall contribute one-half the state contribution rate for permanent
22 full-time state employees, and the permanent part-time employee shall contribute the
23 other one-half.

24 (10) A person receiving benefits under AS 14.25, AS 22.25, AS 39.35,
25 or former AS 39.37 may obtain auditory, visual, and dental insurance for that person
26 and eligible dependents under this section. The level of coverage for persons over 65
27 shall be the same as that available before reaching age 65 except that the benefits
28 payable shall be supplemental to any benefits provided under the federal old age,
29 survivors, and disability insurance program. A person electing to have insurance
30 under this paragraph shall pay the cost of the insurance. The commissioner of
31 administration shall adopt regulations implementing this paragraph.

1 (11) A person receiving benefits under AS 14.25, AS 22.25, AS 39.35,
 2 or former AS 39.37 may obtain long-term care insurance for that person and eligible
 3 dependents under this section. A person who elects insurance under this paragraph
 4 shall pay the cost of the insurance premium. The commissioner of administration
 5 shall adopt regulations to implement this paragraph.

6 (12) Each licensee holding a current operating agreement for a vending
 7 facility under AS 23.15.010 - 23.15.210 shall be covered by the group policy that
 8 applies to governmental units other than the state.

9 * Sec. 70. AS 39.30.095(d) is amended to read:

10 (d) If the commissioner of administration determines that there is more money
 11 in the fund than the amount needed to pay premiums, benefits, and administrative
 12 costs for the current fiscal year, the surplus, or so much of it as the commissioner of
 13 administration considers advisable, may be invested by the commissioner of revenue
 14 in the same manner as retirement funds are invested under AS 37.10.210 and
 15 37.10.220 [AS 14.25.180].

16 * Sec. 71. AS 39.30.150(b) is amended to read:

17 (b) Employees of the division of marine transportation included in
 18 AS 39.35.095 - 39.35.680 [THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM]
 19 through the process of collective bargaining under AS 39.35.680(21)(D) may, under
 20 the terms of a collective bargaining agreement, utilize contributions made under (a) of
 21 this section on their behalf to offset the costs of inclusion in the public employees'
 22 retirement system; however,

23 (1) the state is placed under no obligation to continue making
 24 contributions under this section if the state resumes participation in the federal social
 25 security system;

26 (2) the bargaining agreement must provide a mechanism for satisfying
 27 any residual liabilities that might exist if the state resumes participation in the federal
 28 social security system; and

29 (3) funds contributed under (a) of this section on behalf of employees
 30 who are not covered by maritime union contracts may not be obligated or expended to
 31 pay any costs associated with the inclusion of marine transportation employees in

1 AS 39.35.095 - 39.35.680 [THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM].

2 * Sec. 72. AS 39.30 is amended by adding a new section to read:

3 Sec. 39.30.151. Administrator. The commissioner of administration or the
4 commissioner's designee is the administrator of the system.

5 * Sec. 73. AS 39.30 is amended by adding a new section to read:

6 Sec. 39.30.154. Powers and duties of the administrator. The administrator
7 has the same powers and duties with regard to the plan as those set out in
8 AS 14.25.004.

9 * Sec. 74. AS 39.30.155 is repealed and reenacted to read:

10 Sec. 39.30.155. Management and investment of fund. The Alaska
11 Retirement Management Board is the fiduciary of the fund and has the same powers
12 and duties under this section in regard to the fund as are provided under AS 37.10.210.

13 * Sec. 75. AS 39.30.160(a) is amended to read:

14 (a) The Department of Administration shall, in accordance with policies
15 prescribed by regulations of the Alaska Retirement Management [PUBLIC
16 EMPLOYEES RETIREMENT] Board, provide to employees for whom special
17 individual employee benefit accounts are established under AS 39.30.150 the
18 following benefit options:

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

23 * Sec. 76. AS 39.30.160(e) is amended to read:

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

27 * Sec. 77. AS 39.30.175(a) is amended to read:

28 (a) The board [ALASKA STATE PENSION INVESTMENT BOARD] is the
29 fiduciary of the mandatory receipts, under AS 39.30.150(a), of the employee benefits
30 program established under AS 39.30.150 - 39.30.180 and has the same powers and
31 duties concerning the management and investment in regard to those receipts as are

1 provided under AS 37.10.210 [AS 14.25.180].

2 * Sec. 78. AS 39.30.180 is amended by adding a new paragraph to read:

3 (3) "board" means the board of trustees of the Alaska Retirement
4 Management Board established under AS 37.10.210.

5 * Sec. 79. AS 39.30 is amended by adding new sections to read:

6 **Article 5. State of Alaska Teachers' and Public Employees' Retiree Health**
7 **Reimbursement Arrangement Plan.**

8 **Sec. 39.30.300. State of Alaska Teachers' and Public Employees' Retiree**
9 **Health Reimbursement Arrangement Plan established.** The State of Alaska
10 Teachers' and Public Employees' Retiree Health Reimbursement Arrangement Plan is
11 established for teachers who first become members of the defined contribution plan of
12 the teachers' retirement system under AS 14.25.310 - 14.25.590 on or after July 1,
13 2005, and employees of the state, political subdivisions of the state, and public
14 organizations of the state who first become members of the defined contribution plan
15 of the public employees' retirement system under AS 39.35.700 - 39.35.990 on or after
16 July 1, 2005.

17 **Sec. 39.30.310. Purpose and effective date.** (a) The purpose of the plan is to
18 allow medical care expenses to be reimbursed from individual savings accounts
19 established for eligible persons.

20 (b) The plan becomes effective July 1, 2005, at which time contributions by
21 employers begin.

22 **Sec. 39.30.320. Attorney general.** The attorney general of the state is the
23 legal counsel for the plan and shall advise the administrator and represent the plan in a
24 legal proceeding.

25 **Sec. 39.30.330. Administrator.** The commissioner of administration or the
26 commissioner's designee is the administrator of the plan.

27 **Sec. 39.30.340. Powers and duties of the administrator.** The administrator
28 shall establish a teachers' and public employees' retiree health reimbursement
29 arrangement plan trust fund in which the assets of the plan shall be deposited and held.
30 The administrator has the same powers and duties with regard to the plan and the trust
31 fund as provided in AS 14.25.004.

1 **Sec. 39.30.350. Employer contribution fund.** The fund established under
2 AS 39.30.340 is an employer contribution fund. The value of the fund reflects
3 employer contributions, expenses, and investment gains and losses. Employee
4 contributions to the fund are not permitted.

5 **Sec. 39.30.360. Management and investment of the fund.** The Alaska
6 Retirement Management Board is the fiduciary of the fund and has the same powers
7 and duties under this section in regard to the fund as are provided under AS 37.10.220.

8 **Sec. 39.30.370. Contributions by employers.** For each member of the plan,
9 an employer shall contribute to the teachers' and public employees' retiree health
10 reimbursement arrangement plan trust fund an amount equal to two percent of the
11 employer's average annual employee compensation. The administrator shall maintain
12 a record for each member to account for employer contributions on behalf of that
13 member. The board shall establish by regulation the rate of interest to be applied
14 annually to the amount in a member's individual account.

15 **Sec. 39.30.380. Termination of employment.** A person who terminates
16 employment before meeting the eligibility requirements of AS 14.25.470 or
17 AS 39.35.870 loses any right to the contributions made on behalf of the person to the
18 teachers' and public employees' retiree health reimbursement arrangement trust fund.
19 If a person returns to employment with a participating employer within five years after
20 the date of termination, the person's account balance shall be restored in the amount
21 recorded on the date of termination from the trust, without interest or other adjustment.

22 **Sec. 39.30.390. Eligibility and reimbursement.** Persons who meet the
23 eligibility requirements of AS 14.25.470 and AS 39.35.870 are eligible for
24 reimbursements from the individual account established for a member under the plan.
25 A person who is the dependent child of an eligible member is eligible for
26 reimbursements if the eligible member and surviving spouse have both died so long as
27 the person meets the definition of dependent child.

28 **Sec. 39.30.400. Benefits payable from the individual account.** (a) The
29 administrator may deduct the cost of monthly premiums from the individual account
30 for retiree major medical insurance on behalf of an eligible person who elected retiree
31 major medical insurance under AS 14.25.480 or AS 39.35.880.

1 (b) Upon application of an eligible person, the administrator shall reimburse to
2 the eligible person the costs for medical care expenses as defined in 26 U.S.C. 213(d).
3 Reimbursement is limited to the medical expenses of

4 (1) an eligible member, the spouse of an eligible member, and the
5 dependent children of an eligible member; or

6 (2) a surviving spouse and the dependent children of an eligible
7 member dependent on the surviving spouse.

8 (c) When the member's individual account balance is exhausted, the insurance
9 premium deductions under (a) of this section and the reimbursement of medical care
10 expenses under (b) of this section end.

11 (d) If all eligible persons die before exhausting the member's individual
12 account, the account balance shall revert to the plan.

13 **Sec. 39.30.410. Exemption from taxation and process.** (a) Contributions
14 and other amounts held in the plan on behalf of a member or other person who is or
15 may become eligible for benefits under the plan may be used only to reimburse
16 eligible medical expenses, are exempt from Alaska state and municipal taxes and
17 federal taxes to the extent allowed under the Internal Revenue Code, and are not
18 subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or
19 charge of any kind, either voluntary or involuntary, before they are received by the
20 person entitled to the amount under the terms of the plan. Any attempt to anticipate,
21 alienate, sell, transfer, assign, pledge, encumber, charge, or otherwise dispose of any
22 right to amounts accrued in the plan is void. However, a member's right to receive
23 benefits may be assigned

24 (1) under a qualified domestic relations order; or

25 (2) to a trust or similar legal device that meets the requirements for a
26 Medicaid-qualifying trust under AS 47.07.020(f) and 42 U.S.C. 1396p(d)(4).

27 (b) Notwithstanding AS 09.38.065, contributions and other amounts held in
28 the plan and benefits payable under this plan are exempt from garnishment, execution,
29 or levy.

30 **Sec. 39.30.420. Amendment and termination of plan.** (a) The state has the
31 right to amend the plan at any time and from time to time, in whole or in part.

1 including the right to make retroactive amendments referred to in 26 U.S.C. 401(b).

2 (b) The plan administrator may not modify or amend the plan retroactively in
3 such a manner as to reduce the benefits of any member accrued to date under the plan
4 by reason of contributions made before the modification or amendment except to the
5 extent that the reduction is permitted by the Internal Revenue Code.

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

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

13 **Sec. 39.30.430. Exclusive benefit.** (a) The corpus or income of the assets
14 held in trust as required by the plan may not be diverted or used for other than the
15 exclusive benefit of the participants.

16 (b) The assets of the plan may not be used to pay premiums or contributions of
17 the employer under another plan maintained by the employer.

18 **Sec. 39.30.495. Definitions.** Unless the context requires otherwise, in
19 AS 39.30.300 - 39.30.495

20 (1) "administrator" means the commissioner of administration or the
21 commissioner's designee;

22 (2) "board" means the Alaska Retirement Management Board
23 established under AS 37.10.210;

24 (3) "compensation" has the meaning given in AS 14.25.590;

25 (4) "eligible person" means a person who meets the eligibility
26 requirements of AS 14.25.470 or AS 39.35.870;

27 (5) "dependent child" has the meaning given in AS 39.35.680;

28 (6) "employer" has the meaning given in AS 14.25.590 for employers
29 of teachers in the defined contribution plan established in AS 14.25.310 - 14.25.590
30 and has the meaning given in AS 39.35.990 for employers of public employees in the
31 defined contribution plan established in AS 39.35.700 - 39.35.990;

1 (7) "fund" means the assets of the teachers' and public employees'
2 retiree health reimbursement arrangement plan trust fund;

3 (8) "individual account" means the record established by the
4 administrator for individual employees under the teachers' and public employees'
5 retiree health reimbursement arrangement plan;

6 (9) "member" means a member of the defined contribution plan of the
7 teachers' retirement system in AS 14.25.310 - 14.25.590 or a member of the public
8 employees' retirement system in AS 39.35.700 - 39.35.990;

9 (10) "plan" means the State of Alaska Teachers' and Public Employees'
10 Retiree Health Reimbursement Arrangement Plan established in AS 39.30.300;

11 (11) "qualified domestic relations order" has the meaning given in
12 AS 14.25.220.

13 * Sec. 80. AS 39.35 is amended by adding new sections to read:

14 **Article 1. Administration of the Public Employees' Retirement System of Alaska.**

15 **Sec. 39.35.001. Purpose.** The purpose of this chapter is to encourage
16 qualified personnel to enter and remain in service with participating employers by
17 establishing plans for the payment of retirement, disability, and death benefits to or on
18 behalf of the members.

19 **Sec. 39.35.002. Attorney general.** The attorney general of the state is the
20 legal counsel for the system and shall advise the administrator and represent the
21 system in a legal proceeding.

22 **Sec. 39.35.003. Administrator.** (a) The commissioner of administration or
23 the commissioner's designee is the administrator of the system.

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

26 **Sec. 39.35.004. Powers and duties of the administrator.** (a) The
27 administrator shall

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

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

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

- 1 (4) make payments for the various purposes specified;
- 2 (5) submit periodic reports or statements of account that are needed;
- 3 (6) issue a statement of account to an employee not less than once each
- 4 year showing the amount of the employee's contributions to the applicable plan in the
- 5 system;
- 6 (7) formulate and recommend to the commissioner of administration
- 7 regulations to govern the operation of the system;
- 8 (8) as soon as possible after the close of each fiscal year, and not later
- 9 than six months after the close of each fiscal year, send to the governor and the
- 10 legislature an annual statement on the operations of each of the plans in the system
- 11 containing
- 12 (A) a balance sheet;
- 13 (B) a statement of income and expenditures for the year;
- 14 (C) a report on valuation of trust fund assets;
- 15 (D) a summary of assets held in the trust fund listed by the
- 16 categories of investment, as provided by the Alaska Retirement Management
- 17 Board;
- 18 (E) other statistical financial data that are necessary for proper
- 19 understanding of the financial condition of the system as a whole and each plan
- 20 in the system and the result of its operations;
- 21 (9) engage an independent certified public accountant to conduct an
- 22 annual audit of each plan's accounts and the annual report of the system's financial
- 23 condition and activity;
- 24 (10) report to the Legislative Budget and Audit Committee concerning
- 25 the condition and administration of each plan and distribute the report to the members
- 26 of each plan in the system;
- 27 (11) publish an information handbook for each plan in the system at
- 28 intervals that the administrator considers appropriate;
- 29 (12) meet at least annually with the board to review the condition and
- 30 management of the retirement systems and to review significant changes to policies,
- 31 regulations or benefits; and

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

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

5 (c) The administrator is authorized to contract with public and private entities
6 to provide record keeping, benefits payments, and other functions necessary for the
7 administration of each plan in the system.

8 **Sec. 39.35.005. Regulations.** (a) Regulations adopted by the commissioner
9 of administration under this chapter relate to the internal management of state
10 agencies, and the adoption of these regulations is not subject to AS 44.62
11 (Administrative Procedure Act).

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

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

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

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

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

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

26 (4) furnished to each member of the legislature and to the Legislative
27 Affairs Agency.

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

30 (f) The commissioner may hold a public hearing on a proposed regulation.

31 (g) A regulation adopted under this chapter takes effect 30 days after adoption

1 by the commissioner.

2 (h) Notwithstanding the other provisions of this section, a regulation may be
3 adopted, amended, or repealed, effective immediately, as an emergency regulation by
4 the commissioner. For an emergency regulation to be effective the commissioner
5 must find that the adoption, amendment, or repeal of the regulation is necessary for the
6 immediate preservation of the orderly operation of the system. The commissioner
7 shall, within 10 days after adoption of an emergency regulation, give notice of the
8 adoption under (d) of this section.

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

10 **Sec. 39.35.006. Appeals.** An employer, member, annuitant, or beneficiary
11 may appeal a decision made by the administrator to the office of administrative
12 hearings established under AS 44.64. An aggrieved party may appeal a final decision
13 to the superior court.

14 **Sec. 39.35.007. Investment management of retirement system funds.** The
15 Alaska Retirement Management Board established under 37.10.210 is the fiduciary of
16 the system funds.

17 **Sec. 39.35.008. Definitions.** In AS 39.35.001 - 39.35.008,

18 (1) "commissioner" means the commissioner of administration;

19 (2) "plan" means the retirement plan established in AS 39.35.095 -
20 39.35.680 or the retirement plan established in AS 39.35.700 - 39.35.990;

21 (3) "system" means all retirement plans established under the public
22 employees' retirement system.

23 * **Sec. 81.** AS 39.35 is amended by adding a new section to read:

24 **Article 2. Public Employees First Hired before July 1, 2005.**

25 **Sec. 39.35.095. Applicability of AS 39.35.095 - 39.35.680 to employees first**
26 **hired before July 1, 2005.** The following provisions of this chapter apply only to
27 members first hired before July 1, 2005: AS 39.35.095 - 39.35.680.

28 * **Sec. 82.** AS 39.35.100 is amended to read:

29 **Sec. 39.35.100. Accounting.** (a) The commissioner of administration shall
30 establish and maintain an adequate system of accounts and records for the plan
31 [SYSTEM]. The accounts and records shall be integrated with the accounts, records,

1 and procedures of the employers to the end that they operate most effectively and at
2 minimum expense, and that duplication of records and accounts is avoided.

3 (b) All income of the pension fund and all disbursements made by the fund
4 shall be credited or charged, whichever is appropriate, to the following accounts:

5 (1) An individual account shall be maintained for each employee to
6 record the amount of the employee's mandatory contributions collected under
7 AS 39.35.160(a). As of the last day of each calendar year and each fiscal year
8 beginning with June 30, 1969, this account shall be credited with interest, by applying
9 [ONE HALF OF] the prescribed rate of interest as determined by the board to the
10 balance in the account as of that date. Within one year following retirement, the
11 amount actuarially determined as necessary to fully fund the benefits to be received
12 shall be transferred first from the employee contribution account and, after the
13 employee contribution account has been exhausted, then from the employer
14 contribution account into the retirement reserve account.

15 (2) An individual account shall be maintained for each employee to
16 record the amount of the employee's voluntary contributions. As of the last day of
17 each calendar year and each fiscal year beginning with June 30, 1969, this account
18 shall be credited with interest, by applying [ONE HALF OF] the prescribed rate of
19 interest as determined by the board to the balance in the account as of that date.
20 Amounts that, before termination of employment, are withdrawn by an employee from
21 the employee's savings account shall be charged to that account. Upon retirement, the
22 amount actuarially determined as necessary to fully fund the benefits to be received
23 shall be transferred first from the employee savings account and, after the employee
24 savings account has been exhausted, then from the employer contribution account into
25 the retirement reserve account.

26 (3) A separate account for each employer shall be maintained. The
27 account shall be credited with contributions of the employer. This account shall be
28 charged with the employer's actuarial charge for pension, death benefits, and other
29 benefits paid under this plan [SYSTEM] to or on behalf of the employee of the
30 employer. After an allowance for interest credited to employee contribution accounts
31 and employee savings accounts, the investment income of the pension fund shall be

1 allocated to the retirement reserve account and to each employer asset share account
 2 according to the ratio that the average of the assets in the account as of the beginning
 3 and as of the end of the fiscal year bears to the total of the average balance of the
 4 retirement reserve account and all employer accounts.

5 (4) An expense account shall be maintained for the plan [SYSTEM].
 6 This account shall be charged with all disbursements representing administrative
 7 expenses incurred by the plan [SYSTEM]. At the end of the year the expense account
 8 shall be allocated to each employer in accordance with (3) of this subsection.
 9 Expenditures from this account shall be included in the governor's budget for each
 10 fiscal year and are subject to approval by the legislature.

11 * Sec. 83. AS 39.35 is amended by adding a new section to article 1 to read:

12 **Sec. 39.35.115. Defined benefit retirement plan.** (a) A defined benefit
 13 retirement plan for employees of the state, political subdivisions, and public
 14 organizations is created. The plan becomes effective January 1, 1961, at which time
 15 contributions by the employers and members begin.

16 (b) The retirement plan established by AS 39.35.095 - 39.35.680 is intended to
 17 qualify under 26 U.S.C. 401(a) and 414(d) (Internal Revenue Code) as a qualified
 18 retirement plan established and maintained by the state for its employees and for the
 19 employees of political subdivisions, public corporations, and public organizations of
 20 the state, and for the employees of other employers whose participation is authorized
 21 by AS 39.35.095 - 39.35.680 and who participate in this plan.

22 (c) An amendment to AS 39.35.095 - 39.35.680 does not provide a person
 23 with a vested right to a benefit if the Internal Revenue Service determines that the
 24 amendment will result in disqualification of the plan under the Internal Revenue Code.

25 * Sec. 84. AS 39.35.120 is amended to read:

26 **Sec. 39.35.120. Commencement of participation.** (a) An employee of the
 27 state shall be included in this system upon commencement of employment with the
 28 state, or on January 1, 1961, whichever is later. Unless an employee participates in a
 29 [HAS ELECTED TO PARTICIPATE IN THE OPTIONAL] university retirement
 30 program under AS 14.40.661 - 14.40.799, an employee of a political subdivision or
 31 public organization that becomes an employer shall be included in the system on the

1 effective date of the employer's participation or the date of the employee's
2 commencement of employment with the employer, whichever is later.

3 (b) Inclusion in the system is a condition of employment for an employee
4 except as otherwise provided for

5 (1) an elected official;

6 (2) an employee making an election under AS 39.35.150(b); and

7 (3) an employee of the university who participates in a [HAS
8 ELECTED TO PARTICIPATE IN THE OPTIONAL] university retirement program
9 under AS 14.40.661 - 14.40.799.

10 * Sec. 85. AS 39.35.131 is amended to read:

11 Sec. 39.35.131. Membership in teachers' and public employees'
12 retirement systems. (a) A person who is employed at least half-time in the plan
13 [SYSTEM] during the same period that the person is employed at least half-time in a
14 position in the teachers' retirement plan [SYSTEM] under AS 14.25.009 - 14.25.220
15 [AS 14.25] shall receive credited service under each plan [SYSTEM] for half-time
16 employment. However, the amount of credited service a person receives under the
17 plan [SYSTEM] during a school year may not exceed the amount necessary, when
18 added to the amount of credited service earned during the school year under the
19 teachers' retirement system, to equal one year of credited service.

20 (b) A person who was employed at least half-time in a position in the teachers'
21 retirement plan [SYSTEM] under AS 14.25.009 - 14.25.220 [AS 14.25] in the same
22 period that the person was employed at least half-time in a position in this plan
23 [SYSTEM] may claim credited service in both plan [SYSTEMS] for employment
24 before May 31, 1989. To obtain this credited service, the person shall claim the
25 service and verify the period of half-time employment. When eligibility for half-time
26 service credit has been established, an indebtedness shall be determined to the
27 retirement plan [SYSTEM] in which the person did not participate. The amount of
28 the indebtedness is the full actuarial cost of providing benefits for the credited service
29 claimed. Interest as prescribed by regulation accrues on that indebtedness beginning
30 on the later of July 1, 1989, or the date on which the member is first eligible to claim
31 the service. Any outstanding indebtedness existing at the time the person retires will

1 require an actuarial adjustment to the benefits payable based on that service.

2 * Sec. 86. AS 39.35.158 is amended to read:

3 Sec. 39.35.158. Administrative director of courts. An administrative
4 director of the Alaska court system who withdraws from the judicial retirement system
5 under AS 22.25.012 is eligible for membership in the plan [SYSTEM] and shall
6 receive credited service in the plan [SYSTEM] for service rendered as administrative
7 director. To be eligible for membership in the plan [SYSTEM] under this subsection,
8 the administrative director must contribute to the plan [SYSTEM]

9 (1) the amount the director would have contributed if the director had
10 been a member during the director's period of membership in the judicial retirement
11 system; and

12 (2) any contributions for services as administrative director refunded
13 by the plan [SYSTEM] at the time the director became a member of the judicial
14 retirement system.

15 * Sec. 87. AS 39.35.160(a) is amended to read:

16 (a) Beginning July 1, 2005 [JANUARY 1, 1987], each peace officer or fire
17 fighter shall contribute to the plan a percentage [SYSTEM AN AMOUNT EQUAL
18 TO SEVEN AND ONE-HALF PERCENT] of the peace officer's or fire fighter's
19 compensation as determined under AS 39.35.162. Except as provided in (d) of this
20 section, beginning July 1, 2005 [JANUARY 1, 1987], each other employee shall
21 contribute to the system a percentage [AN AMOUNT EQUAL TO SIX AND
22 THREE-QUARTERS PERCENT] of the employee's compensation as determined
23 under AS 39.35.162. The contributions shall be deducted by the employer at the end
24 of each payroll period. The contributions shall be deducted from employee
25 compensation before computation of applicable federal taxes, and the contributions
26 shall be treated as employer contributions under 26 U.S.C. 414(h)(2). A member may
27 not have the option of making the payroll deduction directly instead of having the
28 contribution picked up by the employer.

29 * Sec. 88. AS 39.35 is amended by adding a new section to read:

30 Sec. 39.35.162. Calculation of employee contribution rate. (a) Each peace
31 officer or fire fighter shall contribute a percentage of the peace officer's or fire fighter's

1 compensation to be determined annually in advance by the administrator. Each other
 2 employee shall contribute a percentage of the employee's compensation to be
 3 determined annually in advance by the administrator. The employee contribution rate
 4 is the greater of

- 5 (1) percent for a peace officer or fire fighter;
- 6 (2) 6.75 percent for each other employee; or
- 7 (3) one-half of the normal cost rate actuarially calculated to fund the
 8 benefits expected to be earned by active members during the fiscal year.

9 (b) The normal cost rate for peace officers or fire fighters and the employee
 10 contribution rate for other employees shall be separately calculated based on the
 11 actuarially calculated costs for each group of employees.

12 (c) Notwithstanding (a) of this section, the employee contribution rate may not
 13 increase more than one-half of a percentage point annually.

14 * Sec. 89. AS 39.35.165(a) is amended to read:

15 (a) An employee who is eligible to purchase credited service under
 16 AS 39.35.310, 39.35.330, 39.35.340, 39.35.342, 39.35.345, [39.35.350,] 39.35.360, or
 17 39.35.370, a member who is eligible to purchase credited service under AS 39.35.375,
 18 or an elected public official who is eligible to purchase credited service under
 19 AS 39.35.381 is an employee for purposes of this section. An employee may, in lieu
 20 of making payments directly to the plan, elect to have the employee's employer make
 21 payments as provided in this section.

22 * Sec. 90. AS 39.35.165(b) is amended to read:

23 (b) An employee may elect to have the employer make payments for all or any
 24 portion of the amounts payable for the employee's purchase of credited service
 25 through a salary reduction program as follows:

26 (1) the amounts paid under a salary reduction program are in lieu of
 27 contributions by the employee making the election; the electing employee's salary or
 28 other compensation shall be reduced by the amount paid by the employer under this
 29 subsection;

30 (2) the employee shall make an irrevocable election under this section
 31 to purchase credited service as permitted in AS 39.35.310, 39.35.330, 39.35.340,

1 39.35.342, 39.35.345, [39.35.350,] 39.35.360, 39.35.370, 39.35.375, or 39.35.381 and
2 before the employee's termination of employment; the irrevocable election must
3 specify the number of payroll periods that deductions will be made from the
4 employee's compensation and the dollar amount of deductions for each payroll period
5 during the specified number of payroll periods; the deductions made under this
6 paragraph cease upon the earlier of the member's termination of employment with the
7 employer or the member's death; amounts paid by an employer under (f) of this
8 section may not be applied toward the payment of the dollar amount of the deductions
9 representing the portion of the credited service that is being purchased by the member
10 through payroll deduction in accordance with the member's irrevocable election under
11 this subsection;

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

17 * Sec. 91. AS 39.35.165(f) is amended to read:

18 (f) The commissioner may accept rollover contributions from a member [AND
19 DIRECT TRANSFERS, AS DESCRIBED IN THIS SUBSECTION, FOR THE
20 PURCHASE, IN WHOLE OR IN PART, OF CREDITED SERVICE FOR THE
21 REINSTATEMENT, IN WHOLE OR IN PART, OF FORFEITED CREDITED
22 SERVICE UNDER AS 39.35.350]. A rollover contribution [OR TRANSFER] as
23 described in this subsection shall also be treated as employer contributions for the
24 purpose of determining tax treatment under the Internal Revenue Code and may be
25 made by any one or a combination of the following methods:

26 (1) subject to the limitations prescribed in 26 U.S.C. 401(a)(3) and 26
27 U.S.C. 402(c), accepting eligible rollover distributions directly from one or more
28 retirement programs of another employer that are qualified under 26 U.S.C. 401(a) or
29 accepting rollovers directly from a member;

30 (2) subject to the limitations prescribed in 26 U.S.C. 408(d)(3)(A)(ii),
31 accepting from a member conduit rollover contributions that are received by the

1 employee from one or more conduit rollover individual retirement accounts previously
2 established by the member;

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

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

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

14 * Sec. 92. AS 39.35.165(g) is amended to read:

15 (g) Payments made under this section shall be applied to reduce the
16 employee's outstanding indebtedness described in AS 39.35.310, 39.35.330,
17 39.35.340, 39.35.342, 39.35.345, [39.35.350,] 39.35.360, 39.35.370, 39.35.375, or
18 39.35.381 at the time that the contributions are received by the plan.

19 * Sec. 93. AS 39.35.165(i) is amended to read:

20 (i) On satisfaction of the eligibility requirements of AS 39.35.310, 39.35.330,
21 39.35.340, 39.35.341, 39.35.345, [39.35.350,] 39.35.360, 39.35.370, 39.35.375, or
22 39.35.381, the requirements of this section, and the administrative filing requirements
23 specified by the commissioner, the plan shall adjust the employee's credited service
24 history and add any additional service credits acquired.

25 * Sec. 94. AS 39.35.200 is amended by adding a new subsection to read:

26 (d) An employee who receives a refund of contributions in accordance with
27 this section forfeits corresponding credited service under AS 39.35.095 - 39.35.680.

28 * Sec. 95. AS 39.35.270 is amended to read:

29 Sec. 39.35.270. Amount of employer's contributions. The amount of each
30 employer's contributions shall be determined by applying the employer's contribution
31 rate, as certified by the board, to the total compensation paid to the active employees

1 of the employer for each payroll period and by including any adjustments to
2 contributions required by AS 39.35.520(a). This amount shall be remitted by the
3 employer to the administrator in accordance with AS 39.35.610.

4 * Sec. 96. AS 39.35.270 is amended by adding a new subsection to read:

5 (b) When added to the member contribution rate calculated under
6 AS 39.35.162, the employer contribution may not be less than the rate required, as
7 actuarially calculated, to fully fund the future liabilities of active members.

8 * Sec. 97. AS 39.35.340(f) is amended to read:

9 (f) An employee may not [CANNOT] be credited with a period of active
10 military service in the armed forces of the United States under this section if credit for
11 that military service was granted under AS 14.25.009 - 14.25.220 [AS 14.25].

12 * Sec. 98. AS 39.35.340(h) is amended to read:

13 (h) The combined period of military service claimed under this section and
14 under AS 14.25.009 - 14.25.220 [AS 14.25] may not exceed five years.

15 * Sec. 99. AS 39.35.360(i) is amended to read:

16 (i) An employee who completes three years of credited service with an
17 employer, for which the employee makes contributions required by AS 39.35.095 -
18 39.35.680 [THIS CHAPTER], is entitled to credited service on a year-for-year basis
19 for service credited in the Civil Service Retirement System, rendered as an employee
20 of an Alaska Bureau of Indian Affairs (BIA) school, other than service as a teacher.
21 When eligibility for retroactive credited service under this subsection has been
22 established, an indebtedness of the employee to the plan [SYSTEM] shall be
23 determined as follows: (1) the employee's actual annual compensation, or the
24 calculated annual compensation for an employee who works fewer than 12 months, for
25 the most recent calendar year in which service is rendered to an employer before the
26 calendar year in which the employee first becomes eligible to claim service under this
27 subsection, multiplied by (2) the number of years of service in Alaska BIA schools
28 that is credited under this subsection, and this product multiplied by (3) six percent for
29 employees first eligible to claim this service before January 1, 1987, or eight and one-
30 half percent for employees first eligible to claim this service on or after January 1,
31 1987. Interest as prescribed by regulation accrues on the indebtedness beginning on

1 the date the employee may first claim the retroactive credited service. Any
 2 outstanding indebtedness that exists at the time the employee retires requires an
 3 actuarial adjustment to the benefits that are based on retroactive credited service under
 4 this subsection. A retirement benefit payable under this subsection for Alaska BIA
 5 service shall be reduced by an amount equal to the retirement benefits paid to the
 6 member by the United States government for the same service.

7 * Sec. 100. AS 39.35.360(l) is amended to read:

8 (l) An administrative director of the Alaska Court System who withdraws
 9 from the judicial retirement system under AS 22.25.012(b) is eligible for membership
 10 in the plan [PUBLIC EMPLOYEES' RETIREMENT SYSTEM] and shall receive
 11 credited service in this plan [SYSTEM] for service rendered as administrative
 12 director. To be eligible for membership in this plan [SYSTEM] under this subsection,
 13 the administrative director must contribute to the plan [SYSTEM]

14 (1) the amount that would have been contributed if the administrative
 15 director had been a member during the period of the membership in the judicial
 16 retirement system; and

17 (2) any contributions for service as administrative director refunded
 18 from the plan [PUBLIC EMPLOYEES' RETIREMENT SYSTEM] at the time the
 19 administrative director became a member of the judicial retirement system.

20 * Sec. 101. AS 39.35.370(g) is amended to read:

21 (g) When an employee who was employed as a dispatcher in a state trooper
 22 office or in a police or fire department in the plan [PUBLIC EMPLOYEES'
 23 RETIREMENT SYSTEM] applies for appointment to retirement, the employee may
 24 convert the credited service for that position to credited service as a peace officer by
 25 claiming the service as peace officer service. An employee who has converted
 26 credited service to peace officer service under this subsection shall be treated as a
 27 peace officer for purposes of AS 39.35.095 - 39.35.680 [THIS CHAPTER]. When the
 28 member claims this credited service as peace officer service, an indebtedness of the
 29 member to the plan [SYSTEM] shall be established. The indebtedness is equal to the
 30 full actuarial cost of the conversion of the credited service to treatment as peace
 31 officer service. Any outstanding indebtedness that exists at the time the member is

1 appointed to retirement shall [WILL] require an actuarial adjustment to the benefits
2 payable based upon the conversion of the credited service.

3 * Sec. 102. AS 39.35.375(a) is amended to read:

4 (a) An active or inactive member who has never been vested in this plan
5 [SYSTEM] or in the teachers' retirement plan [SYSTEM] under AS 14.25.009 -
6 14.25.220 [AS 14.25], who has at least two years of credited service in this plan
7 [SYSTEM], and who has membership service in the teachers' retirement system may
8 claim credited service in this plan [SYSTEM] in an amount equal to the membership
9 service the member has in the teachers' retirement system. The claimed credited
10 service may be added to service earned under AS 39.35.095 - 39.35.680 [THIS
11 CHAPTER] to enable the member to qualify for a public service benefit under this
12 section. The member may not claim credited service for membership service for
13 which the member has received a refund under AS 14.25.150 unless the member fully
14 pays the indebtedness as established under AS 14.25.063. The member may not claim
15 credited service in this plan [SYSTEM] based on unused sick leave under
16 AS 14.25.115.

17 * Sec. 103. AS 39.35.375(b) is amended to read:

18 (b) To claim credited service under this section, the member shall file a
19 written request with the administrator when the member applies to retire. The
20 administrator shall determine the full actuarial cost of benefits based on the member's
21 total credited service and shall transfer from the teachers' retirement system to this
22 plan [SYSTEM] an amount equal to the sum of the member contributions and any
23 indebtedness payments to the teachers' retirement system and the employer
24 contributions to the teachers' retirement system made on behalf of the employee
25 together with interest earned on those contributions and indebtedness payments. If the
26 amount to be transferred, when combined with the amount of employee contributions
27 and indebtedness payments to this plan [SYSTEM] and the amount of employer
28 contributions on behalf of the employee in this plan [SYSTEM], and interest earned
29 on contributions and indebtedness payments for the employee, is less than the full
30 actuarial cost computed under this subsection, an indebtedness to the plan [SYSTEM]
31 equal to the amount of the difference is established. Interest as prescribed by

1 regulation accrues on the indebtedness. The member must pay any outstanding
 2 indebtedness existing at the time the member applies for retirement in full before the
 3 member is appointed to retirement under this section.

4 * Sec. 104. AS 39.35.375(c) is amended to read:

5 (c) A member is entitled to receive a public service benefit under this section
 6 if the member has at least a total of five years credited service under AS 39.35.095 -
 7 39.35.680 [THIS CHAPTER] and credited service from the teachers' retirement plan
 8 under AS 14.25.009 - 14.25.220 [SYSTEM] claimed under this section. A public
 9 service benefit shall be calculated using the higher of the average monthly
 10 compensation for service in this plan [SYSTEM] or the average base salary for
 11 service in the teachers' retirement plan under AS 14.25.009 - 14.25.220 [SYSTEM].
 12 The amount of the benefit shall be calculated in accordance with AS 39.35.370(c).

13 * Sec. 105. AS 39.35.375(d) is amended to read:

14 (d) Credited service earned under either this plan [SYSTEM] or the teachers'
 15 retirement system that has been claimed for a public service benefit under this section
 16 may not be used for any other purpose. A member who claims credited service under
 17 this section loses all rights to benefits under AS 14.25 based on the claimed credited
 18 service. A member may not claim credited service under this section unless the
 19 member claims all of the membership service the member has in the teachers'
 20 retirement system. A public service benefit does not constitute a normal or early
 21 retirement benefit for purposes of qualifying for a conditional service retirement
 22 benefit under AS 14.25.125 or AS 39.35.385.

23 * Sec. 106. AS 39.35.375(f) is amended to read:

24 (f) Notwithstanding AS 14.25.063 and AS 39.35.350, a former member of the
 25 teachers' retirement system who is an active member or inactive member of this plan
 26 [SYSTEM] may reinstate, under this section, membership service earned under
 27 AS 14.25 for which the member received a refund of contributions.

28 * Sec. 107. AS 39.35.375(f) is amended to read:

29 (f) Notwithstanding AS 14.25.063 [AND AS 39.35.350], a former member of
 30 the teachers' retirement system who is an active member or inactive member of this
 31 plan may reinstate, under this section, membership service earned under AS 14.25 for

1 which the member received a refund of contributions.

2 * Sec. 108. AS 39.35.375(g) is amended to read:

3 (g) If a member retires under this section and subsequently returns to work for
4 an employer under this plan [SYSTEM] or the teachers' retirement system, benefits
5 under this section shall cease during the period of reemployment and shall
6 recommence when the reemployment is ended. The credited service earned during the
7 period of reemployment may not be added to the credited service claimed for a public
8 service benefit under this section. If a member vests and meets the other eligibility
9 requirements under this system or the teachers' retirement system during the
10 reemployment, the member is entitled to a benefit under AS 14.25.009 - 14.25.220
11 [AS 14.25] or 39.35.095 - 39.35.680 [AS 39.35], as appropriate.

12 * Sec. 109. AS 39.35.375 is amended by adding a new subsection to read:

13 (h) In this section,

14 (1) "teachers' retirement system" and "teachers' retirement system
15 under AS 14.25" means the teachers' retirement plan established in AS 14.25.009 -
16 14.25.220;

17 (2) "membership service earned under AS 14.25" means membership
18 service earned under AS 14.25.009 - 14.25.220.

19 * Sec. 110. AS 39.35.381(a) is amended to read:

20 (a) An elected public officer is eligible for a public officer benefit if the officer
21 is retired under AS 14.25.009 - 14.25.220 [AS 14.25 (TEACHERS' RETIREMENT
22 SYSTEM)]. Only fully paid credited service as an elected public officer of a
23 municipality or other political subdivision, earned while the municipality or political
24 subdivision was an employer under this plan [SYSTEM] and while the person was
25 employed full-time under AS 14.25.009 - 14.25.220 [AS 14.25], may be counted
26 under this section.

27 * Sec. 111. AS 39.35.385(f) is amended to read:

28 (f) Subject to AS 39.35.450, an employee is eligible for a normal retirement
29 benefit at age 60 or an early retirement benefit at age 55 if the employee was first
30 hired as a legislative employee before May 30, 1987, and has at least 120 [60] days of
31 credited service as an employee of the legislature, other than as an employee of the

1 Office of the Ombudsman or the office of victims' rights, during each of five
 2 legislative sessions. An employee who was first hired as a legislative employee on or
 3 after May 30, 1987, and is otherwise eligible under this subsection must have at least
 4 120 [80] days of credited service during each of five legislative sessions to receive
 5 benefits under this subsection.

6 * Sec. 112. AS 39.35.410(f) is amended to read:

7 (f) An employee is not entitled to an occupational disability benefit unless the
 8 employee files an application for it with the administrator within 90 days of the date of
 9 terminating employment. If the employee is unable to meet a filing requirement of
 10 this subsection, it may be waived by the commissioner [PUBLIC EMPLOYEES'
 11 RETIREMENT BOARD] if there are extraordinary circumstances that resulted in the
 12 employee's inability to meet the filing requirement. [THE BOARD MAY
 13 DELEGATE THE AUTHORITY TO WAIVE A FILING DEADLINE UNDER THIS
 14 SUBSECTION TO THE ADMINISTRATOR.]

15 * Sec. 113. AS 39.35.475(a), as that subsection read following amendment by sec. 34, ch.
 16 146, SLA 1980, until amended by sec. 41, ch. 82, SLA 1986, is amended to read:

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

25 * Sec. 114. AS 39.35.485(a) is amended to read:

26 (a) An employee who is eligible for a benefit calculated in accordance with
 27 AS 39.35.370(c) is entitled to a benefit of at least \$25 a month for each year of
 28 credited service, not including adjustments made under AS 39.35.340 for military
 29 service, [AS 39.35.350 FOR REINSTATEMENT OF CREDITED SERVICE.]
 30 AS 39.35.360 for credit for earlier service, AS 39.35.370(c) for early retirement,
 31 AS 39.35.420 for nonoccupational death benefits, AS 39.35.450 for the survivor's

1 option, former AS 39.35.460 for the level income option, AS 39.35.475 for the post-
 2 retirement pension adjustment, and AS 39.35.480 for the cost of living.

3 * Sec. 115. AS 39.35.680(2) is amended to read:

4 (2) "actuarial adjustment" means the adjustment necessary to obtain
 5 equality in value of the aggregate expected payments under two different forms of
 6 pension payments, considering expected mortality and interest earnings on the basis of
 7 assumptions, factors, and methods specified in regulations issued under this plan
 8 [SYSTEM] that are formally adopted [UNDER AS 39.35.042] by the board that
 9 clearly preclude employer discretion in the determination of the amount of any
 10 member's benefit;

11 * Sec. 116. AS 39.35.680(6) is amended to read:

12 (6) "board" means the Alaska Retirement Management [PUBLIC
 13 EMPLOYEES RETIREMENT] Board;

14 * Sec. 117. AS 39.35.680(21) is amended to read:

15 (21) "member" or "employee"

16 (A) means a person eligible to participate in the system and
 17 who is covered by the system;

18 (B) includes

19 (i) an active member;

20 (ii) an inactive member;

21 (iii) a vested member;

22 (iv) a deferred vested member;

23 (v) a nonvested member;

24 (vi) a disabled member;

25 (vii) a retired member;

26 (viii) an elected public officer under AS 39.35.381;

27 (C) does not include

28 (i) former members;

29 (ii) persons compensated on a contractual or fee basis;

30 (iii) casual or emergency workers or nonpermanent

31 employees as defined in AS 39.25.200;

1 (iv) persons covered by the Alaska Teachers'
2 Retirement System except as provided under AS 39.35.131 and
3 39.35.381, or persons covered by a [THE OPTIONAL] university
4 retirement program;

5 (v) employees of the division of marine transportation
6 engaged in operating the state ferry system who are covered by a union
7 or group retirement system to which the state makes contributions;

8 (vi) justices of the supreme court or judges of the court
9 of appeals or of the superior or district courts of Alaska;

10 (vii) the administrative director of courts appointed
11 under art. IV, sec. 16 of the state constitution unless the director
12 becomes a member under AS 39.35.158;

13 (viii) members of the elected public officers' retirement
14 system (former AS 39.37); and

15 (ix) contractual employees of the legislative branch of
16 state government under AS 24.10.060(f);

17 (D) may include employees of the division of marine
18 transportation excluded under (C)(v) of this paragraph provided that

19 (i) the State of Alaska formally agrees to their inclusion
20 through the process of collective bargaining; and

21 (ii) no collective bargaining agreement has the effect of
22 obligating contributions made by the state under AS 39.30.150 in the
23 event the state resumes participation in the federal social security
24 system;

25 * Sec. 118. AS 39.35.680(34) is amended to read:

26 (34) "qualified domestic relations order" means a divorce or
27 dissolution judgment under AS 25.24, including an order approving a property
28 settlement, that

29 (A) creates or recognizes the existence of an alternate payee's
30 right to, or assigns to an alternate payee the right to, receive all or a portion of
31 employee contribution account or the benefits payable with respect to an

1 employee;

2 (B) sets out the name and last known mailing address, if any, of
3 the employee and of each alternate payee covered by the order;

4 (C) sets out the amount or percentage of the employee's benefit,
5 or of any survivor's benefit, to be paid to the alternate payee, or sets out the
6 manner in which that amount or percentage is to be determined;

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

9 (E) sets out the retirement plan [SYSTEM] to which the order
10 applies;

11 (F) does not require any type or form of benefit or any option
12 not otherwise provided by AS 39.35.095 - 39.35.680 [THIS CHAPTER];

13 (G) does not require an increase of benefits in excess of the
14 amount provided by AS 39.35.095 - 39.35.680 [THIS CHAPTER], determined
15 on the basis of actuarial value; and

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

19 * Sec. 119. AS 39.35.680 is amended by adding new paragraphs to read:

20 (41) "commissioner" means the commissioner of administration;

21 (42) "plan" means the retirement plan established in AS 39.35.095 -
22 39.35.680.

23 * Sec. 120. AS 39.35 is amended by adding new sections to read:

24 **Article 9. Employees First Hired on or after July 1, 2005.**

25 **Sec. 39.35.700. Applicability of AS 39.35.700 - 39.35.990.** The provisions of
26 AS 39.35.700 - 39.35.990 apply only to members first hired on or after July 1, 2005 or
27 to members who transfer into the defined contribution plan under AS 39.35.940.

28 **Sec. 39.35.710. Defined contribution retirement plan established; federal**
29 **qualification requirements.** (a) A defined contribution retirement plan is established
30 for employees of the state or a political subdivision or public organization of the state.

31 (b) The defined contribution retirement plan is a plan in which savings are

1 accumulated in an individual retirement account for the exclusive benefit of the
2 member or beneficiaries. The plan is established effective July 1, 2005, at which time
3 contributions by employers and members begin.

4 (c) The retirement plan established by AS 39.35.700 - 39.35.990 is intended to
5 qualify under 26 U.S.C. 401(a) and 414(d) (Internal Revenue Code) as a qualified
6 retirement plan established and maintained by the state for its employees, for the
7 employees of political subdivisions, public corporations, and public organizations of
8 the state, and for the employees of other employers whose participation is authorized
9 by AS 39.35.700 - 39.35.990 and who participate in the plan set out in AS 39.35.700 -
10 39.35.990.

11 (d) An amendment to AS 39.35.700 - 39.35.990 does not provide a person
12 with a vested right to a benefit if the Internal Revenue Service determines that the
13 amendment will result in disqualification of the plan under the Internal Revenue Code.

14 **Sec. 39.35.720. Membership.** An employee who becomes a member on or
15 after July 1, 2005, shall participate in the plan set out in AS 39.35.700 - 39.35.990.

16 **Sec. 39.35.730. Contributions by members.** (a) Each member shall
17 contribute to the member's individual account an amount equal to eight percent of the
18 member's compensation from July 1 to the following June 30.

19 (b) Subject to the limitations on contributions under AS 39.35.780, a member
20 may elect to make additional contributions to the member's individual account.

21 (c) The employer shall deduct the contribution from the member's
22 compensation at the end of each payroll period, and the contribution shall be credited
23 by the plan to the member's individual account. The contributions shall be deducted
24 from member's compensation before the computation of applicable federal taxes and
25 shall be treated as employer contributions under 26 U.S.C. 414(h)(2). A member may
26 not have the option of making the payroll deduction directly in cash instead of having
27 the contribution picked up by the employer.

28 **Sec. 39.35.740. Employment contributions mandatory.** Contributions of
29 employees shall be made by payroll deductions. Every included employee shall be
30 considered to consent to payroll deductions. It is of no consequence that a payroll
31 deduction may cause the compensation paid in cash to an employee to be reduced

1 below the minimum required by law. Payment of an employee's compensation, less
2 payroll deductions, is a full and complete discharge and satisfaction of all claims and
3 demands by the employee relating to remuneration of services during the period
4 covered by the payment, except with respect to the benefits provided under the plan.

5 **Sec. 39.35.750. Contributions by employers.** (a) An employer shall
6 contribute to each member's individual account an amount equal to 4.5 percent of the
7 member's compensation from July 1 to the following June 30.

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

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

16 **Sec. 39.35.760. Rollover contributions and distributions.** (a) An employee
17 entering the plan may elect, at the time and in the manner prescribed by the
18 administrator, to have all or part of a direct rollover distribution from an eligible
19 retirement plan owned by the member paid directly into the member's individual
20 account.

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

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

26 (d) In this section,

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

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

1 (3) "eligible retirement plan" means

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

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

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

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

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

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

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

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

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

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

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

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

23 **Sec. 39.35.770. Transmittal of contributions.** All contributions deducted in
24 accordance with AS 39.35.700 - 39.35.990 shall be transmitted to the plan for deposit
25 in the trust fund as soon as administratively feasible, but in no event later than 15 days
26 following the close of the payroll period.

27 **Sec. 39.35.780. Limitations on contributions.** Notwithstanding any other
28 provisions of this plan, the annual additions to each member's individual account
29 under this plan and under all defined contribution plans of the employer required to be
30 aggregated with the contributions from this plan under the provisions of 26 U.S.C. 415
31 may not exceed, for any limitation year, the amount permitted under 26 U.S.C. 415 at

1 any time. If the amount of a member's defined contribution plan contributions exceeds
2 the limitation of 26 U.S.C. 415(c) for any limitation year, the administrator shall take
3 any necessary remedial action to correct an excess contribution. The provisions of 26
4 U.S.C. 415, and the regulations adopted under that statute, as applied to qualified
5 defined contribution plans of governmental employees are incorporated as part of the
6 terms and conditions of the plan.

7 **Sec. 39.35.790. Vesting.** (a) A participating member is immediately and
8 fully vested in that member's contributions and related earnings.

9 (b) A member shall be fully vested in the employer contributions made on that
10 member's behalf, and related earnings, after five years of service. A member is
11 partially vested in the employer contributions made on that member's behalf, and the
12 related earnings, in the ratio of

- 13 (1) 25 percent with two years of service;
- 14 (2) 50 percent with three years of service; and
- 15 (3) 75 percent with four years of service.

16 **Sec. 39.35.800. Investment of individual accounts.** (a) The board shall
17 provide a range of investment options and permit a participant to exercise investment
18 control over the participant's assets in the member's individual account as provided in
19 this section. If a participant exercises control over the assets in the individual account,
20 the participant is not considered a fiduciary for any reason on the basis of exercising
21 that control.

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

24 (c) A participant may elect to change or transfer all or a portion of the
25 participant's existing account balance among available investment funds not more
26 often than once each day in accordance with the rules established by the administrator.
27 Only the last election received by the administrator before the transmittal of
28 contributions to the trust fund for allocation to the individual account shall be used to
29 direct the investment of the contributions received.

30 (d) Except to the extent clearly set out in the terms of the investment plans
31 offered by the employer to the employee, the employer is not liable to the participant

1 for investment losses if the prudent investment standard has been met.

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

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

10 **Sec. 39.35.810. Distribution election at termination.** (a) A member is
11 eligible to elect distribution of the member's account in accordance with this section
12 60 days after termination of employment.

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

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

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

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

28 (4) prevention of the eviction of the member from the member's
29 principal residence or foreclosure on the mortgage of the member's principal
30 residence; or

31 (5) any need prescribed by the United States Department of the

1 Treasury, Internal Revenue Service, in a revenue ruling, notice, or other document of
2 general applicability that satisfies the safe harbor definition of hardship under
3 regulations adopted under 26 U.S.C. 401(k).

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

7 (d) Distributions are payable to an alternate payee in accordance with the
8 terms and conditions of a qualified domestic relations order that is received and
9 approved by the administrator as specified in AS 39.35.860.

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

15 **Sec. 39.35.820. Forms of distribution.** (a) A participant may elect to receive
16 the participant's share of the individual account in a

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

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

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

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

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

29 (6) joint and survivor annuity payment, which is an annuity payable
30 monthly to the member until the first of the month in which the member's death
31 occurs; after the member's death, a survivor annuity equal to 50 percent or 100 percent

1 of the member's benefit, as previously elected by the member, shall be paid monthly to
2 the joint annuitant for the remainder of the survivor's lifetime.

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

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

11 (d) If an unmarried member or other participant fails to elect a form of
12 payment before the distribution commencement date, the account shall be paid to a
13 beneficiary in the form of a lump sum to the extent required by the minimum
14 distribution requirements set out in the Internal Revenue Code. If a married member
15 fails to elect a form of payment before the distribution commencement date, the
16 account shall be paid in the form of a 50 percent joint and survivor annuity, with the
17 member's spouse as the joint annuitant.

18 **Sec. 39.35.830. Manner of electing distribution.** (a) Any election or any
19 alteration or revocation of a prior election by a participant for any purpose under this
20 plan shall be on forms or made in a manner prescribed for that purpose by the plan
21 administrator. To be effective, the forms required or the required action for any
22 purpose under this plan must be completed and received in accordance with
23 regulations adopted by the commissioner of administration.

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

26 (1) the form of payment election;

27 (2) an election to commence benefits; or

28 (3) the joint annuitant designation.

29 (c) Changes in elections are not allowed on or after seven days before the
30 benefit commencement date.

31 **Sec. 39.35.840. Distribution requirements.** (a) Payments to a participant

1 shall commence as soon as administratively feasible following the distribution
2 commencement date. The distribution commencement date is the first date on which
3 one of the following occurs:

4 (1) a member meets the requirements of AS 39.35.810 and has made a
5 complete application for payment under AS 39.35.830;

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

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

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

14 (5) notwithstanding (a) of this section, a participant whose account has
15 a balance of \$1,000 or less meets the requirements of AS 39.35.810, at which time the
16 participant must take payment of the participant's account.

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

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

23 (d) If a member has made a distribution election and dies before the
24 distribution of the member's interest begins, distribution of the member's entire interest
25 shall be completed by December 31 of the calendar year containing the fifth
26 anniversary of the member's death. However, if any portion of the member's interest
27 is payable to a designated beneficiary, distributions may be made over the life of the
28 designated beneficiary or over a period certain not greater than the life expectancy of
29 the designated beneficiary, commencing on or before December 31 of the calendar
30 year immediately following the calendar year in which the member died, and, if the
31 designated beneficiary is the member's surviving spouse, the date distributions are

1 required to begin may not be earlier than the later of December 31 of the calendar year
2 (1) immediately following the calendar year in which the member died, or (2) in which
3 the member would have attained 70 1/2 years of age, whichever is earlier. If the
4 surviving spouse dies after the member but before payments to the spouse have begun,
5 the provisions of this subsection apply as if the surviving spouse were the member.
6 An amount paid to a child of the member shall be treated as if it were paid to the
7 surviving spouse if the amount becomes payable to the surviving spouse when the
8 child reaches the age of majority.

9 (e) If a member has not made a distribution election before the member's
10 death, the member's designated beneficiary must elect the method of distribution not
11 later than December 31 of the calendar year (1) in which distributions would be
12 required to begin under this section, or (2) that contains the fifth anniversary of the
13 date of death of the member, whichever is earlier. If the member does not have a
14 designated beneficiary or if the designated beneficiary does not elect a method of
15 distribution, distribution of the member's entire interest must be completed by
16 December 31 of the calendar year containing the fifth anniversary of the member's
17 death.

18 (f) For purposes of (b) of this section, distribution of a member's interest is
19 considered to begin (1) on the member's required beginning date, or (2) if the
20 designated beneficiary is the member's surviving spouse and the surviving spouse dies
21 after the member but before payments to the spouse have begun, on the date
22 distribution is required to begin to the surviving spouse. If distribution in the form of
23 an annuity irrevocably commences to the member before the required beginning date,
24 the date distribution is considered to begin is the date that the distribution actually
25 commences.

26 (g) Notwithstanding any contrary provisions of AS 39.35.700 - 39.35.990, the
27 requirements of this section apply to all distributions of a member's interest and take
28 precedence over any inconsistent provisions of AS 39.35.700 - 39.35.990.

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

1 (i) In this section,

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

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

8 **Sec. 39.35.850. Designation of beneficiary.** (a) Each participant shall have
9 the right to designate a beneficiary and shall have the right, at any time, to revoke the
10 designation or to substitute another beneficiary, subject to the following limitation: if a
11 married member elects a nonspouse beneficiary, the value of the benefit payable to the
12 beneficiary may not exceed 50 percent of the member's portion of the account balance,
13 and the member's spouse shall automatically be considered the beneficiary for the
14 remaining 50 percent of the account balance, unless the spouse consents to the
15 beneficiary designation in a writing that is notarized or witnessed by the administrator.
16 If the spouse consents in this manner, a married member may designate a nonspouse
17 beneficiary for the entire benefit or any portion the benefit as part of an available form
18 of payment contained in this plan,

19 (1) except to the extent a qualified domestic relations order filed with
20 the administrator provides for payment to a former spouse or other dependent of the
21 member; or

22 (2) unless the member filed a revocation of beneficiary accompanied
23 by a written consent to the revocation from the present spouse and each person entitled
24 under the order; however, consent of the present spouse is not required if the member
25 and the present spouse had been married for less than one year on the date of the
26 member's death and if the member established when filing the revocation that the
27 member and the present spouse were not cohabiting.

28 (b) Except as provided in (a) of this section, the member may change or
29 revoke the designation without notice to the beneficiary or beneficiaries at any time.
30 If a member designates more than one beneficiary, each shares equally unless the
31 member specifies a different allocation or preference. The designation of a

1 beneficiary, a change or revocation of a beneficiary, and a consent to revocation of a
 2 beneficiary shall be made on a form provided by the administrator and is not effective
 3 until filed with the administrator.

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

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

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

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

11 (4) to the estate.

12 (d) A person claiming entitlement to benefits payable under AS 39.35.700 -
 13 39.35.990 as a consequence of a member's death shall provide the administrator with a
 14 marriage certificate, divorce or dissolution judgment, or other evidence of entitlement.
 15 Documents establishing entitlement may be filed with the administrator immediately
 16 after a change in the member's marital status. If the administrator does not receive
 17 notification of a claim before the date 10 days after the member's death, the person
 18 claiming entitlement is not entitled to receive from the division of retirement and
 19 benefits any benefit already paid by the administrator.

20 **Sec. 39.35.860. Rights under qualified domestic relations order.** (a)
 21 Notwithstanding the nonalienation provisions in AS 39.35.900(a), the plan
 22 administrator may direct that benefits be paid to someone other than a member or
 23 beneficiary under a valid qualified domestic relations order that is executed by the
 24 judge of a competent court in accordance with applicable state law and that has been
 25 accepted by the administrator.

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

1 **Sec. 39.35.870. Eligibility to elect medical benefits.** (a) A member is
2 eligible to elect the medical benefits under AS 39.35.880 if the member

3 (1) has at least 25 years of service as a peace officer or fire fighter or at
4 least 30 years of service for all other employees; or

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

6 (b) A member's surviving spouse is eligible to elect medical benefits under
7 AS 39.35.880 if the member had elected, or was eligible to elect medical benefits at
8 the time of the member's death.

9 (c) Members shall elect or reject medical benefits on the forms and in the
10 manner prescribed by the administrator. The decision to elect or reject benefits is
11 irrevocable.

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

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

17 (f) An eligible person must make the irrevocable election to participate or not
18 participate in the retiree major medical insurance by reaching 70 1/2 years of age, or
19 upon termination of employment, whichever is later.

20 **Sec. 39.35.880. Medical benefits.** (a) The medical benefits available to
21 eligible persons are access to the retiree major medical insurance plan and to the
22 health reimbursement arrangement under AS 39.30.300. Access to the retiree major
23 medical insurance plan means that an eligible person may not be denied insurance
24 coverage except for failure to pay the required premium.

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

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

31 (d) Major medical insurance coverage takes effect on the first day of the

1 month following the date of the administrator's approval of the election and stops
 2 when the person who elects coverage dies or fails to make a required premium
 3 payment.

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

8 (f) The medical and optional insurance premiums owed by the person who
 9 elects coverage may be deducted from the health reimbursement arrangement. If the
 10 amount of the health reimbursement arrangement becomes insufficient to pay the
 11 premiums, the person who elects coverage under (a) of this section shall pay the
 12 premiums directly.

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

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

17 (2) eligible for Medicare is the following percentage of the premium
 18 amounts established for retirees who are eligible for Medicare:

19 (A) 25 percent if the member had 10 or more, but less than 15,
 20 years of service;

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

23 (C) 20 percent if the member had 20 or more, but less than 25,
 24 years of service;

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

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

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

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

2 (1) be informed by the administrator in writing

3 (A) that the health insurance coverage available to retired
4 members may be different from the health insurance coverage provided to
5 employees;

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

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

11 (j) The monthly group premiums for retiree major medical insurance coverage
12 are established by the administrator in accordance with AS 39.30.095. Nothing in
13 AS 39.35.700 - 39.35.990 guarantees a person who elects coverage under (a) of this
14 section a monthly group premium rate for retiree major medical insurance coverage
15 other than the premium in effect for the month in which the premium is due for
16 coverage for that month.

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

19 **Sec. 39.35.890. Amendment and termination of plan.** (a) The state has the
20 right to amend the plan at any time and from time to time, in whole or in part,
21 including the right to make retroactive amendments referred to in 26 U.S.C. 401(b).

22 (b) The plan administrator may not modify or amend the plan retroactively in
23 such a manner as to reduce the benefits of any member accrued to date under the plan
24 by reason of contributions made before the modification or amendment except to the
25 extent that the reduction is permitted by the Internal Revenue Code.

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

30 (d) Any contribution made by an employer to the plan because of a mistake of
31 fact must be returned to the employer by the administrator within one year after the

1 contribution or discovery, whichever is later.

2 **Sec. 39.35.900. Exclusive benefit.** (a) The corpus or income of the assets
3 held in trust as required by the plan may not be diverted or used for other than the
4 exclusive benefit of the participants.

5 (b) If plan benefits are provided through the distribution of annuity or
6 insurance contracts, any refunds or credits in excess of plan benefits due to dividends,
7 earnings, or other experience rating credits, or surrender or cancellation credits, shall
8 be paid to the trust fund.

9 (c) The assets of the plan may not be used to pay premiums or contributions of
10 the employer under another plan maintained by the employer.

11 **Sec. 39.35.910. Nonguarantee of returns, rates, or benefit amounts.** The
12 plan created by AS 39.35.700 - 39.35.990 is a defined contribution plan, not a defined
13 benefit plan. The amount of money in the account of a participant depends on the
14 amount of contributions and the rate of return from investments of the account that
15 varies over time. If benefits are paid in the form of an annuity, the benefit amount
16 payable is dependent on the amount of money in the account and the interest rates
17 applied and service fees charged by the annuity payor at the time benefits are first
18 paid. Nothing in this plan guarantees a participant

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

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

24 **Sec. 39.35.920. Nonguarantee of employment.** The provisions of
25 AS 39.35.700 - 39.35.990 are not a contract of employment between an employer and
26 an employee, nor do they confer a right of an employee to be continued in the
27 employment of an employer, nor are they a limitation of the right of an employer to
28 discharge an employee with or without cause.

29 **Sec. 39.35.930. Fraud.** A person who knowingly makes a false statement or
30 falsifies or permits to be falsified a record of this plan in an attempt to defraud the plan
31 is guilty of a class A misdemeanor.

1 Sec. 39.35.940. Transfer into defined contribution plan by nonvested
2 members of defined benefit plan. (a) Subject to (g) of this section, an active
3 member of the defined benefit retirement plan of the public employees' retirement *correction*
4 system is eligible to participate in the defined contribution retirement plan established
5 under AS 39.35.700 - 39.35.990, if that member has not vested. Participation in the
6 defined contribution retirement plan is in lieu of participation in the defined benefit
7 retirement plan established under AS 39.35.095 - 39.35.680.

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

10 (c) Each eligible member who elects to participate in the defined contribution
11 retirement plan shall have transferred to a new account the present value of the
12 member contribution account balance held in trust for the member under the defined
13 benefit retirement plan of the public employees' retirement system. A matching
14 employer contribution shall be made on behalf of that employee to the new account.
15 Upon a transfer, all service credit previously earned under the defined benefit
16 retirement plan shall be nullified for purposes of entitlement to a future benefit under
17 the defined benefit retirement plan but shall be credited for purposes of eligibility to
18 elect medical benefits under AS 39.35.870. An eligible member whose accounts are
19 subject to a qualified domestic relations order may not make an election to participate
20 in the defined contribution retirement plan under this subsection unless the qualified
21 domestic relations order is amended or vacated and court-certified copies of the order
22 are received by the administrator.

23 (d) As directed by the participant, the board shall transfer or cause to be
24 transferred the appropriate amounts to the designated account. The board shall
25 establish transfer procedures by regulation, but the actual transfer may not be later
26 than 30 days after the effective date of the member's participation in the defined
27 contribution retirement plan unless the major financial markets for securities available
28 for a transfer are seriously disrupted by an unforeseen event that also causes the
29 suspension of trading on any national securities exchange in the country where the
30 securities were issued. In that event, the 30-day period of time may be extended by a
31 resolution of the board of trustees. Transfers are not commissionable or subject to

1 other fees and may be in the form of securities or cash as determined by the board.
2 Securities shall be valued as of the date of receipt in the participant's account.

3 (e) If the board or the administrator receives notification from the United
4 States Department of the Treasury, Internal Revenue Service, that this section or a
5 portion of this section will cause the retirement system under this chapter, or a portion
6 of the retirement system under this chapter, to be disqualified for tax purposes under
7 the Internal Revenue Code, the portion that will cause the disqualification does not
8 apply, and the board and the administrator shall notify the presiding officers of the
9 legislature.

10 (f) The election to participate in the defined contribution retirement plan must
11 be made in writing on forms and in the manner prescribed by the administrator.
12 Before accepting an election to participate in the defined contribution retirement plan,
13 the administrator must provide the employee planning on making an election to
14 participate in the defined contribution retirement plan with information, including
15 calculations to illustrate the effect of moving the employee's retirement plan from the
16 defined benefit retirement plan to the defined contribution retirement plan as well as
17 other information to clearly inform the employee of the potential consequences of the
18 employee's election. An election made under this subsection to participate in the
19 defined contribution retirement plan is irrevocable. Upon making the election, the
20 participant shall be enrolled as a member of the defined contribution retirement plan,
21 the member's participation in the plan shall be governed by the provisions of
22 AS 39.35.700 - 39.35.990, and the member's participation in the defined benefit
23 retirement plan under AS 39.35.115 shall terminate. The participant's enrollment in
24 the defined contribution retirement plan shall be effective the first day of the month
25 after the administrator receives the completed enrollment forms. An election made by
26 an eligible member who is married is not effective unless the election is signed by the
27 individual's spouse.

28 (g) A member may make an election under this section only if the member's
29 employer participates in both the defined benefits retirement plan and the defined
30 contribution retirement plan and consents to transfers under this section. The
31 employer shall notify the administrator if the employer consents to allowing the

1 employer's members to choose to transfer from the defined benefits retirement plan to
2 the defined contribution retirement plan under this section. An employer's notice to
3 allow transfers is irrevocable and applicable to all eligible employees of the employer.

4 (h) In this section,

5 (1) "defined benefit retirement plan" means the retirement plan
6 established in AS 39.35.095 - 39.35.680;

7 (2) "defined contribution retirement plan" means the retirement plan
8 established in AS 39.35.700 - 39.35.990.

9 **Sec. 39.35.950. Request by political subdivision to participate and**
10 **adoption of resolution.** A municipality or other political subdivision of the state may
11 request to become an employer in this plan. The request shall be made after adoption
12 of a resolution by the legislative body of the political subdivision and after approval of
13 the resolution by the person required by law to approve the resolution. A certified
14 copy of the resolution shall be filed with the administrator. If the administrator
15 approves the request for participation, the political subdivision is an employer of the
16 plan.

17 **Sec. 39.35.955. Request by public organization to participate and**
18 **adoption of resolution.** A public organization may request to become an employer in
19 this plan. The request shall be made after adoption of a resolution by the governing
20 body of the public organization. A certified copy of the resolution shall be filed with
21 the administrator. If the administrator approves the request for participation, the
22 public organization is an employer of the plan.

23 **Sec. 39.35.960. Membership in teachers' and public employees'**
24 **retirement systems.** A person who is employed at least half-time in the public
25 employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990) during the
26 same period that the person is employed at least half-time in a position in the teachers'
27 defined contribution retirement plan (AS 14.25.310 - 14.25.590) shall receive credited
28 service under each plan for half-time employment. However, the amount of credited
29 service a person receives under the public employees' defined contribution retirement
30 plan during a school year may not exceed the amount necessary, when added to the
31 amount of credited service earned during the school year under the teachers' defined

1 contribution retirement plan, to equal one year of credited service.

2 **Sec. 39.35.965. Army and air national guard employees.** A regular full-
3 time civilian employee of the Alaska Army National Guard and Air National Guard
4 whose entire salary is paid from allotted federal funds is included in the public
5 employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990) if the
6 federal or state government pays the employer's contributions. If the amount that the
7 federal government may legally contribute to the plan is lower than the required
8 employer's contribution, the state government shall contribute the difference. If the
9 employer's contributions are not paid when due, service credit for the period of
10 delinquency may not be granted until the contributions are paid.

11 **Sec. 39.35.970. North Pacific Fishery Management Council employees.**
12 An employee of the North Pacific Fishery Management Council appointed under 16
13 U.S.C. 1852(f)(1) (Sec. 302(f)(1) of P.L. 94-265) whose compensation is paid from
14 allotted federal funds is included in the public employees' defined contribution
15 retirement plan (AS 39.35.700 - 39.35.990) if the council pays the employer's
16 contributions. If the employer's contributions are not paid when due, credited service
17 for the period of delinquency may not be granted until the contributions are paid.

18 ~~Sec. 39.35.975 deleted~~

18 **Sec. 39.35.990. Definitions.** In AS 39.35.700 - 39.35.990, unless the context
19 requires otherwise,

20 (1) "administrator" means the commissioner of administration or the
21 commissioner's designee;

22 (2) "alternate payee" means the person for whom an amount has been
23 separated into an account under a qualified domestic relations order;

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

26 (4) "beneficiary" means the person or persons entitled under the
27 provisions of this plan to receive benefits after the death of a member or alternate
28 payee;

29 (5) "board" has the meaning given in AS 39.35.680;

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

31 (7) "compensation"

#18

1 (A) means

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

6 (ii) the member contribution to the public employees'
7 retirement system under AS 39.35.730, employee deferrals under
8 AS 39.45.010, the wage reduction amount contributed to the Alaska
9 Supplemental Annuity Plan under AS 39.30.150(a), and the wage
10 reduction amount contributed to the Alaska Supplemental Benefit Plan
11 under AS 39.30.150(c), as those statutes may be amended from time to
12 time;

13 (B) does not include retirement benefits, severance pay or other
14 separation bonuses, welfare benefits, per diem, expense allowances, workers'
15 compensation payments, payments for leave not used whether those leave
16 payments are scheduled payments, lump-sum payments, donations, or cash-ins,
17 any remuneration contributed by the employer for or on account of the
18 employee under this plan or under any other qualified or nonqualified
19 employee benefit plan, any remuneration not specifically included above
20 which would have been excluded under 26 U.S.C. 3121(a) (Internal Revenue
21 Code) if the employer had remained in the Federal Social Security System, or
22 any remuneration paid by the employer in excess of the Social Security
23 Taxable Wage Base for the calendar year;

24 (C) notwithstanding (B) of this paragraph, includes any amount
25 that is contributed by the employer under a salary reduction agreement and that
26 is not includible in the gross income of the employee under 26 U.S.C. 125,
27 132(f)(4), 402(e)(3), 402(h)(1)(B) or 403(b) (Internal Revenue Code); the
28 annual compensation limitation for the member, which is so taken into account
29 for those purposes, may not exceed \$200,000, as adjusted for the cost of living
30 in accordance with 26 U.S.C. 401(a)(17)(B) (Internal Revenue Code), with the
31 limitation for a fiscal year being the limitation in effect for the calendar year

1 within which the fiscal year begins;

2 (8) "dependent child" has the meaning given in AS 39.35.680;

3 (9) "distribution commencement date" has the meaning given in
4 AS 39.35.840(a);

5 (10) "employer" means

6 (A) the State of Alaska; or

7 (B) a political subdivision or public organization of the state
8 that participates in the plan;

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

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

15 (13) "Internal Revenue Code" means the Internal Revenue Code of
16 1986, as amended;

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

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

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

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

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

29 (19) "participant" means the person who has a vested right to an
30 individual account, such as a member, an alternate payee if the account is subject to a
31 qualified domestic relations order, the member's beneficiary if the member is

1 deceased, or an alternate payee's beneficiary if the alternate payee is deceased;

2 (20) "peace officer" or "fire fighter" has the meaning given in
3 AS 39.35.680;

4 (21) "plan" means the retirement plan established in AS 39.35.700 -
5 39.35.990;

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

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

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

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

18 (C) sets out the amount or percentage of the member's benefit,
19 or of any survivor's benefit, to be paid to the alternate payee, or sets out the
20 manner in which that amount or percentage is to be determined;

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

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

24 (F) does not require any type or form of benefit or any option
25 not otherwise provided by AS 39.35.700 - 39.35.990;

26 (G) does not require an increase of benefits in excess of the
27 amount provided by AS 39.35.700 - 39.35.990; and

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

31 (24) "retiree" means an eligible person who has elected to receive

1 medical benefits under AS 39.35.880;

2 (25) "surviving spouse" means the spouse of an employee who has
3 been married to the employee for at least one year at the time of the employee's death;

4 (26) "system" has the meaning given in AS 39.35.680;

5 (27) "year of service" means the equivalent of 52 weeks of permanent
6 full-time employment, which may consist of a combination of permanent full-time or
7 permanent part-time membership service; in this paragraph, "permanent full-time" and
8 "permanent part-time" have the meanings given in AS 39.35.680.

9 * Sec. 121. AS 39.45.030(a) is amended to read:

10 (a) The Alaska Retirement Management [STATE PENSION
11 INVESTMENT] Board is authorized, subject to contracts with individual employees,
12 to invest the funds held under a deferred compensation program. The board has the
13 same powers and duties concerning the management and investment in regard to those
14 funds as are provided under AS 37.10.220 [AS 14.25.180].

15 * Sec. 122. AS 39.45.030(g) is amended to read:

16 (g) In this section, "board" means the Alaska Retirement Management
17 [STATE PENSION INVESTMENT] Board.

18 * Sec. 123. AS 39.45.060 is amended by adding a new paragraph to read:

19 (2) "board" means the trustees of the Alaska Retirement Management
20 Board established under AS 37.10.210.

21 * Sec. 124. AS 39.50.200(a)(9) is amended to read:

22 (9) "public official" means

23 (A) a judicial officer;

24 (B) the governor or the lieutenant governor;

25 (C) a person hired or appointed in a department in the
26 executive branch as

27 (i) the head or deputy head of the department;

28 (ii) the director or deputy director of a division;

29 (iii) a special assistant to the head of the department;

30 (iv) a person serving as the legislative liaison for the

31 department;

1 (D) an assistant to the governor or the lieutenant governor;

2 (E) the chair or a member of a state commission or board
3 [OTHER THAN PHYSICIAN MEMBERS OR ALTERNATES OF THE
4 ALASKA TEACHERS' RETIREMENT BOARD APPOINTED UNDER
5 AS 14.25.035(a)(2) OR OF THE PUBLIC EMPLOYEES' RETIREMENT
6 BOARD APPOINTED UNDER AS 39.35.030(d);]

7 (F) state investment officers and the state comptroller in the
8 Department of Revenue;

9 (G) [REPEALED

10 (H)] the chief procurement officer appointed under
11 AS 36.30.010;

12 (H) [(I)] the executive director of the Alaska Workforce
13 Investment Board; and

14 (I) [(J)] each appointed or elected municipal officer;

15 * Sec. 125. AS 39.50.200(b)(54) is amended to read:

16 (54) Alaska Retirement Management [STATE PENSION
17 INVESTMENT] Board (AS 37.10.210);

18 * Sec. 126. AS 44.25.020(2) is amended to read:

19 (2) collect, account for, have custody of, invest, and manage all state
20 funds and all revenues of the state except revenues incidental to a program of licensing
21 and regulation carried on by another state department, funds managed and invested by
22 the Alaska Retirement Management [STATE PENSION INVESTMENT] Board,
23 and as otherwise provided by law;

24 * Sec. 127. AS 44.25.028(a) is amended to read:

25 (a) The commissioner of revenue may designate employees of the Department
26 of Revenue who are subject to the provisions of AS 39.50 because of their
27 responsibility for participating in the management or investment of the funds for
28 which the Alaska Retirement Management [STATE PENSION INVESTMENT]
29 Board is responsible.

30 * Sec. 128. AS 44.25.028(b) is amended to read:

31 (b) If an officer or employee of the Department of Revenue with responsibility

1 for funds for which the Alaska Retirement Management [STATE PENSION
 2 INVESTMENT] Board is responsible acquires, owns, or controls an interest, direct or
 3 indirect, in an entity or project in which assets under the control of the board are
 4 invested, the officer or employee shall immediately disclose the interest to the board.
 5 The disclosure is a matter of public record and shall be included in the minutes of the
 6 board meeting next following the disclosure. The commissioner shall adopt
 7 regulations to restrict officers and employees of the department from having a
 8 substantial interest in an entity or project in which assets under the control of the board
 9 are invested.

10 * Sec. 129. AS 44.64.030(a) is amended by adding a new paragraph to read:

11 (36) AS 14.25.006 (teachers' retirement system);

12 (37) AS 39.35.006 (public employees' retirement system).

13 * Sec. 130. AS 14.25.012(a), 14.25.015, 14.25.020, 14.25.022, 14.25.030, 14.25.035,
 14 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);
 15 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,
 16 39.35.080, 39.35.090, 39.35.520(c), 39.35.522(c), 39.35.522(c); AS 39.45.025;
 17 AS 39.50.200(b)(23), and 39.50.200(b)(29) are repealed.

18 * Sec. 131. AS 14.25.061(c), 14.25.062; and AS 39.35.350 are repealed.

19 * Sec. 132. The uncodified law of the State of Alaska is amended by adding a new section
 20 to read:

21 TRANSITION: INITIAL STAGGERED TERMS OF TRUSTEES OF THE
 22 ALASKA RETIREMENT MANAGEMENT BOARD. Notwithstanding AS 37.10.210(c), as
 23 repealed and reenacted by sec. 59 of this Act, the terms of the initially appointed trustees of
 24 the Alaska Retirement Management Board who are not commissioners shall be set by the
 25 governor to achieve staggered terms in the manner provided for nine-member boards by
 26 AS 39.05.055(7).

27 * Sec. 133. The uncodified law of the State of Alaska is amended by adding a new section
 28 to read:

29 TERMS OF MEMBERS OF THE ALASKA TEACHERS' RETIREMENT BOARD,
 30 AND THE PUBLIC EMPLOYEES' RETIREMENT BOARD. The terms of all board
 31 members appointed to the Alaska Teachers' Retirement Board, and the Public Employees'

#17

1 Retirement Board expire on the effective date of this section.

2 * Sec. 134. The uncodified law of the State of Alaska is amended by adding a new section
3 to read:

4 TERMS OF MEMBERS OF THE ALASKA STATE PENSION INVESTMENT
5 BOARD. The terms of all board members appointed to the Alaska State Pension Investment
6 Board expire on September 30, 2005.

7 * Sec. 135. The uncodified law of the State of Alaska is amended by adding a new section
8 to read:

9 TRANSITION OF DUTIES BETWEEN ALASKA STATE PENSION
10 INVESTMENT BOARD AND THE ALASKA RETIREMENT MANAGEMENT BOARD.

11 (a) After the effective date of this section and until September 30, 2005, the Alaska State
12 Pension Investment Board shall continue to exercise the powers and duties assigned in this
13 Act to the Alaska Retirement Management Board. The Alaska State Pension Investment
14 Board shall take actions to facilitate the transition of duties formerly assigned to the Alaska
15 State Pension Investment Board to the duties assigned in this Act to the Alaska Retirement
16 Management Board. A member of the Alaska Retirement Management Board appointed to
17 serve as a trustee before September 30, 2005, shall be invited to observe and train with the
18 Alaska State Pension Investment Board.

19 (b) The Alaska Retirement Management Board may not assume the duties and
20 responsibilities assigned to the Alaska Retirement Management Board in this Act until
21 October 1, 2005.

22 * Sec. 136. The uncodified law of the State of Alaska is amended by adding a new section
23 to read:

24 TRANSITION. Hearings and other proceedings pending under a law amended or
25 repealed by this Act or in connection with functions transferred by this Act continue in effect
26 and may be continued and completed notwithstanding a transfer or amendment or repeal
27 provided for in this Act. Orders and regulations issued or adopted under authority of a law
28 amended or repealed by this Act remain in effect for the term issued, or until revoked,
29 vacated, or otherwise modified under the provisions of this Act. Contracts, rights, liabilities,
30 and obligations created by or under a law amended or repealed by this Act, and in effect on
31 the effective date of this section, remain in effect notwithstanding this Act's taking effect.

1 Records, equipment, appropriations, funds, and other property of boards or agencies of the
 2 state whose functions are transferred under this Act shall be transferred to implement the
 3 provisions of this Act.

4 * Sec. 137. The uncodified law of the State of Alaska is amended by adding a new section
 5 to read:

6 TRANSITION: REGULATIONS. (a) The Department of Administration and the
 7 Department of Revenue may proceed to develop and adopt regulations required to implement
 8 this Act.

9 (b) Regulations adopted by the Department of Administration and the Department of
 10 Revenue under this Act relate to the internal management of a state agency, and the adoption
 11 of the regulations is not subject to AS 44.62 (Administrative Procedure Act).

12 * Sec. 138. The uncodified law of the State of Alaska is amended by adding a new section
 13 to read:

14 REPORT TO THE LEGISLATURE BY ALASKA RETIREMENT MANAGEMENT
 15 BOARD. It is the intent of the legislature that there will be a moratorium after the effective
 16 date of this Act on legislation affecting all public employees' retirement plans until the Alaska
 17 Retirement Management Board can present a report to the legislature containing the board's
 18 assessment and recommendations as provided in this section. The Alaska Retirement
 19 Management Board shall report to the legislature 120 days after all members are appointed to
 20 the board, or 15 days after the first day of the first regular legislative session following the
 21 effective date of this section, whichever is first. The report must include the board's

22 (1) preliminary assessment of the financial health of all public employees'
 23 retirement plans and all teachers' retirement plans;

24 (2) assessment of the actuarial services purchased by the board;

25 (3) recommendations for additional legislative or administrative policy to
 26 improve the financial health of the retirement plans;

27 (4) short-term and long-term recommendations for addressing the unfunded
 28 liability of the retirement plans; and

29 (5) recommendations for legislative procedures regarding fiscal notes for new
 30 legislation affecting the retirement plans.

31 * Sec. 139. The uncodified law of the State of Alaska is amended by adding a new section

1 to read:

2 INSTRUCTION REGARDING ALASKA TEACHERS' RETIREMENT SYSTEM
3 BOARD, ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM BOARD, AND
4 ALASKA STATE PENSION INVESTMENT BOARD. Wherever in the Alaska Statutes and
5 the Alaska Administrative Code the terms "Alaska Teachers' Retirement System Board,"
6 "Alaska Public Employees' Retirement System Board," or "Alaska State Pension Investment
7 Board" are used, they shall be read as "Alaska Retirement Management Board" when to do so
8 would be consistent with the changes made by this Act.

9 * Sec. 140. The uncodified law of the State of Alaska is amended by adding a new section
10 to read:

11 SPECIFIC INSTRUCTIONS TO REVISOR OF STATUTES CONCERNING
12 SPECIFIC REFERENCES. (a) The revisor of statutes shall change references to "this
13 chapter" to "AS 14.25.009 - 14.25.220" in the following statutes: AS 14.25.040(b),
14 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),
15 14.25.105, 14.25.107, 14.25.110(k), 14.25.142, 14.25.150(b), 14.25.153, 14.25.160(h),
16 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
17 in 14.25.220 in each place that the phrase appears.

18 (b) The revisor of statutes shall change the reference to "board" to "administrator" in
19 the following statutes: AS 14.25.075 and 14.25.130(f).

20 (c) The revisor of statutes shall change the reference to "system" to "plan" in the
21 following statutes: AS 14.25.040(b), 14.25.040(c), 14.25.045, 14.25.047, 14.25.055,
22 14.25.060, 14.25.061(a), 14.25.062, 14.25.063(a), 14.25.065, 14.25.070, 14.25.075(c),
23 14.25.075(d), 14.25.075(g), 14.25.075(h), 14.25.075(i), 14.25.100(a), 14.25.105(c),
24 14.25.107, 14.25.110, 14.25.125(c), 14.25.143, 14.25.163, 14.25.165(i), 14.25.167(g),
25 14.25.168, 14.25.169, 14.25.173(a), 14.25.173(d), 14.25.181, 14.25.200, 14.25.210,
26 14.25.220(1), 14.25.220(4), 14.25.220(7), 14.25.220(14), 14.25.220(20), 14.25.220(22),
27 14.25.220(23), 14.25.220(31), 14.25.220(34), 14.25.220(36), 14.25.220(37), 14.25.220(42);
28 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),
29 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),
30 39.35.250, 39.35.280, 39.35.300(c), 39.35.310(a), 39.35.310(c), 39.35.340(a), 39.35.342(a),
31 39.35.342(d), 39.35.345(a), 39.35.345(d), 39.35.360(a), 39.35.360(g), 39.35.360(h),

1 39.35.360(k), 39.35.370(f), 39.35.370(h), 39.35.370(i), 39.35.370(j), 39.35.370(k),
 2 39.35.371(i), 39.35.381(b), 39.35.381(g), 39.35.385(c), 39.35.400(e), 39.35.450(g),
 3 39.35.475(a), 39.35.475(b), 39.35.475(d), 39.35.500(a), 39.35.505, 39.35.520(a),
 4 39.35.520(d), 39.35.522(d), 39.35.527(a), 39.35.527(b), 39.35.530, 39.35.535(a),
 5 39.35.535(d), 39.35.550, 39.35.560, 39.35.570, 39.35.580, 39.35.590, 39.35.600, 39.35.610,
 6 39.35.620(a), 39.35.620(h), 39.35.650, 39.35.670, 39.35.675(a), 39.35.680(1), 39.35.680(5),
 7 39.35.680(9), 39.35.680(12), 39.35.680(15), 39.35.680(16), 39.35.680(17), 39.35.680(20),
 8 39.35.680(21)(A), 39.35.680(29), 39.35.680(32), 39.35.680(33), and 39.35.680(35).

9 (d) The revisor of statutes shall change the reference to "board" to "commissioner" in
 10 the following statutes: AS 39.35.290, 39.35.522(a), 39.35.522(b), and 39.35.522(d).

11 (e) The revisor of statutes shall change references to "this chapter" to "AS 39.35.095 -
 12 39.35.680" in the following statutes: AS 39.35.165, 39.35.200, 39.35.250, 39.35.300,
 13 39.35.340, 39.35.350, 39.35.360, 39.35.370, 39.35.371, 39.35.375, 39.35.381, 39.35.480,
 14 39.35.490, 39.35.495, 39.35.505, 39.35.530, 39.35.546, 39.35.547, 39.35.615(c),
 15 39.35.620(e), 39.35.660, 39.35.675(b), 39.35.677, and 39.35.680.

16 (f) The revisor of statutes shall renumber AS 39.35.690 to follow AS 39.35.990.

17 * Sec. 141. The uncodified law of the State of Alaska is amended by adding a new section
 18 to read:

19 IMPLEMENTATION OF SECTIONS 139 AND 140 OF THIS ACT. Under
 20 AS 01.05.031, the revisor of statutes shall implement secs. 139 and 140 of this Act in the
 21 Alaska Statutes, and, under AS 44.62.125(b)(6), the regulations attorney shall implement secs.
 22 139 and 140 of this Act in the administrative code.

23 * Sec. 142. Sections 11, 12, 14, 15, 20, 89 - 94, 107, 114, and 131 of this Act take effect
 24 June 30, 2010.

25 * Sec. 143. Section 141 of this Act takes effect immediately under AS 01.10.070(c).

26 * Sec. 144. Except as provided in secs. 142 and 143 of this Act, this Act takes effect July 1,
 27 2005.



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

FAX COVER SHEET

DATE: 6 April 2005 TIME: 11:10am

TO: Legal Services

NUMBER OF PAGES, INCLUDING COVER SHEET: 2

FROM: MINDY ROWLAND
SENATE FINANCE COMMITTEE SECRETARY
PHONE: 465-4935
FAX: 465-2187

NOTES: Final Please

CS SB 141 (FIN) 24-LS0637 \ 4 Craver 4/4/05

→ Plus 4 amendments: \ 4.1

\ 4.2

\ 4.3

Amendment #19 - attached

→ Plus 1 correction: \ 4 pg 89 line 7

delete: teachers'

insert: public employees'

call with any questions

Thanks
Mindy

adopted 4/6/05

WORK DRAFT

WORK DRAFT

WORK DRAFT

24-LS0637Y
Craver
4/4/05

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

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE FINANCE COMMITTEE

A BILL
FOR AN ACT ENTITLED

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; establishing the Alaska Retirement Management Board to replace the
5 Alaska State Pension Investment Board, the Alaska Teachers' Retirement Board, and
6 the Public Employees' Retirement Board; adding appeals of the decisions of the
7 administrator of the teachers' and public employees' retirement systems to the
8 jurisdiction of the office of administrative hearings; providing for nonvested members of
9 the teachers' retirement system defined benefit plans to transfer into the teachers'
10 retirement system defined contribution plan and for nonvested members of the public
11 employees' retirement system defined benefit plans to transfer into the public
12 employees' retirement system defined contribution plan; providing for political

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

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

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

5 Article 1. Administration of the Teachers' Retirement System.

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

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

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

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

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

- 19 (1) establish and maintain an adequate system of accounts;
- 20 (2) transmit the funds deposited in the system to the retirement fund
21 established and maintained by the Alaska Retirement Management Board;
- 22 (3) approve or disapprove claims for retirement benefits;
- 23 (4) make payments for the various purposes specified;
- 24 (5) submit periodic reports or statements of account that are needed;
- 25 (6) issue a statement of account to an employee not less than once each
26 year showing the amount of the employee's contributions to the applicable plan in the
27 system;
- 28 (7) formulate and recommend to the commissioner of administration
29 regulations to govern the operation of the system;
- 30 (8) as soon as possible after the close of each fiscal year, and not later

1 than six months after the close of each fiscal year, send to the governor and the
2 legislature an annual statement on the operations of each of the plans in the system
3 containing

4 (A) a balance sheet;

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

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

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

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

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

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

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

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

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

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

29 (c) The administrator is authorized to contract with public and private entities
30 to provide record keeping, benefits payments, and other functions necessary for the
31 administration of each plan in the system.

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

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

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

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

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

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

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

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

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

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

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

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

1 commissioner shall, within 10 days after adoption of an emergency regulation, give
2 notice of the adoption under (d) of this section.

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

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

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

11 **Sec. 14.25.008. Definitions.** In AS 14.25.001 - 14.24.008,

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

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

16 **Article 2. Teachers First Hired before July 1, 2005.**

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

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

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

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

30 (c) An amendment to AS 14.25.009 - 14.25.220 [THIS CHAPTER] does not
31 provide a person with a vested right to a benefit if the Internal Revenue Service

1 determines that the amendment will result in disqualification of the plan under the
2 Internal Revenue Code.

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

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

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

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

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

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

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

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

1 retirement plan [SYSTEM] in which the person did not participate. The amount of
2 the indebtedness is the full actuarial cost of providing benefits for the credited service
3 claimed. Interest as prescribed by regulation accrues on that indebtedness beginning
4 on the later of July 1, 1989, or the date on which the member is first eligible to claim
5 the service. Any outstanding indebtedness existing at the time the person retires will
6 require an actuarial adjustment to the benefits payable based on that service.

7 * Sec. 7. AS 14.25.050(a) is amended to read:

8 (a) Except as provided in (c) of this section, beginning July 1, 2005
9 [JANUARY 1, 1991], each member shall contribute to the plan a percentage
10 [SYSTEM AN AMOUNT EQUAL TO 8.65 PERCENT] of the member's base salary
11 accrued from July 1 to the following June 30, as determined under AS 14.25.052.
12 The employer shall deduct the contribution from the member's salary at the end of
13 each payroll period, and the contribution shall be credited by the plan [SYSTEM] to
14 the member contribution account. The contributions shall be deducted from employee
15 compensation before the computation of applicable federal taxes and shall be treated
16 as employer contributions under 26 U.S.C. 414(h)(2). A member may not have the
17 option of making the payroll deduction directly in cash instead of having the
18 contribution picked up by the employer.

19 * Sec. 8. AS 14.25 is amended by adding a new section to read:

20 **Sec. 14.25.052. Calculation of member contribution rate.** (a) Each active
21 member shall contribute a percentage of the member's base salary to be determined
22 annually in advance by the administrator. The member contribution rate is the greater
23 of

24 (1) 8.65 percent; or

25 (2) one-half of the normal cost rate actuarially calculated to fund the
26 benefits expected to be earned by active members during the fiscal year.

27 (b) Notwithstanding (a) of this section, the member contribution rate may not
28 increase more than one-half of a percentage point annually.

29 * Sec. 9. AS 14.25.070 is amended to read:

30 **Sec. 14.25.070. Contributions by employer.** An employer shall contribute to
31 the plan [SYSTEM] an amount equal to the percentage, as certified by the board

1 [ADMINISTRATOR], of the sum total of the base salaries of all members that is
2 required in addition to member contributions to provide the benefits of AS 14.25.009 -
3 14.25.220 [THIS CHAPTER] times the sum total of the base salaries paid to members,
4 including any adjustments to contributions required by AS 14.25.173(a), by the
5 employer.

6 * Sec. 10. AS 14.25.070 is amended by adding a new subsection to read:

7 (b) When added to the member contribution rate calculated under
8 AS 14.25.052, the employer contribution may not be less than the amount required as
9 actuarially calculated to fully fund the future liabilities of active members.

10 * Sec. 11. AS 14.25.075(a) is amended to read:

11 (a) An employee who is eligible to purchase credited service under
12 AS 14.25.047 or 14.25.048, a member who is eligible to purchase credited service
13 under AS 14.25.048, 14.25.050, 14.25.060, 14.25.061, [14.25.062,] 14.25.100, or
14 14.25.107, or a teacher who is eligible to purchase credited service under
15 AS 14.20.345, AS 14.25.050, [14.25.062,] or 14.25.105, in lieu of making payments
16 directly to the plan, may elect to have the member's employer make payments as
17 provided in this section.

18 * Sec. 12. AS 14.25.075(b) is amended to read:

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

22 (1) the amounts paid under a salary reduction program are in lieu of
23 contributions by the member making the election; the electing member's salary or
24 other compensation shall be reduced by the amount paid by the employer under this
25 subsection;

26 (2) the member shall make an irrevocable election under this
27 subsection to purchase credited service as permitted in AS 14.20.345, AS 14.25.047,
28 14.25.048, 14.25.050, 14.25.060, 14.25.061, [14.25.062,] 14.25.100, 14.25.105, or
29 14.25.107 before the member's termination of employment; the irrevocable election
30 must specify the number of payroll periods that deductions will be made from the
31 member's compensation and the dollar amount of deductions for each payroll period

1 during the specified number of payroll periods; the deductions made under this
2 paragraph cease upon the earlier of the member's termination of employment with the
3 employer or the member's death; amounts paid by an employer under (f) of this
4 section may not be applied toward the payment of the dollar amount of the deductions
5 representing the portion of the credited service that is being purchased by the member
6 through payroll deduction in accordance with the member's irrevocable election under
7 this paragraph;

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

13 * Sec. 13. AS 14.25.075(e) is amended to read:

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

18 * Sec. 14. AS 14.25.075(f) is amended to read:

19 (f) The administrator may accept rollover contributions from a member [,
20 AND DIRECT TRANSFERS AS DESCRIBED IN THIS SUBSECTION, FOR THE
21 PURCHASE, IN WHOLE OR IN PART, OF FORFEITED CREDITED SERVICE
22 UNDER THIS SECTION FOR THE REINSTATEMENT, IN WHOLE OR IN PART,
23 OF FORFEITED CREDITED SERVICE UNDER AS 14.25.062]. Contributions
24 made under this subsection may not be applied to purchase service being paid under
25 (b) of this section. A rollover contribution [OR TRANSFER] as described in this
26 subsection shall be treated as employer contributions for the purpose of determining
27 tax treatment under the Internal Revenue Code and may be made by any one or a
28 combination of the following methods:

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

1 directly from a member;

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

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

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

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

17 * Sec. 15. AS 14.25.075(i) is amended to read:

18 (i) On satisfaction of the eligibility requirements of AS 14.20.345,
19 AS 14.25.047, 14.25.048, 14.25.050, 14.25.060, 14.25.061, [14.25.062,] 14.25.100,
20 14.25.105, or 14.25.107, the requirements of this section, and the administrative filing
21 requirements specified by the administrator, the plan shall adjust the member's
22 credited service history and add any additional service credits acquired.

23 * Sec. 16. AS 14.25.143(a), as that subsection read following amendment by sec. 3, ch.
24 146, SLA 1980, until amended by sec. 12, ch. 106, SLA 1988, is amended to read:

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

1 [SYSTEM].

2 * Sec. 17. AS 14.25.143(a), as that subsection read following amendment by sec. 12, ch.
3 106, SLA 1988, until amended by sec. 12, ch. 97, SLA 1990, is amended to read:

4 (a) When the administrator determines that the cost of living has increased and
5 that the financial condition of the plan [SYSTEM] permits, the administrator shall
6 increase benefit payments to persons receiving benefits under this plan. For
7 purposes of this subsection, the financial condition of the plan would only permit
8 an increase in benefits when the ratio of total fund assets to the accrued liability
9 meets or exceeds 110 percent. In this subsection, "accrued liability" means the
10 present value of all member benefits accrued by member service in this plan
11 [SYSTEM].

12 * Sec. 18. AS 14.25.145 is amended to read:

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

16 * Sec. 19. AS 14.25.150 is amended by adding a new subsection to read:

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

19 * Sec. 20. AS 14.25.173(c) is amended to read:

20 (c) At least quarterly, [AT EACH REGULARLY SCHEDULED MEETING
21 OF THE TEACHERS' RETIREMENT BOARD,] the administrator shall report to the
22 commissioner of administration [BOARD] on all situations since the administrator's
23 last report in which an adjustment has been prohibited under (b) of this section. If the
24 commissioner of administration [BOARD] finds that there is reason to believe that
25 one or more of the conditions set out in (b) of this section have not been met, the
26 administrator shall notify the member or beneficiary that an adjustment will be made
27 to recover the overpayment. A member or beneficiary who receives notice of
28 adjustment under this subsection may file a request with the commissioner of
29 administration [APPEAL TO THE BOARD] for a waiver of the adjustment under
30 AS 14.25.175. An adjustment that requires the repayment of benefits may not be
31 required while the waiver request [APPEAL] is pending.

1 * Sec. 21. AS 14.25.175(a) is amended to read:

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

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

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

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

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

15 * Sec. 22. AS 14.25.175(b) is amended to read:

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

21 * Sec. 23. AS 14.25.175(c) is repealed and reenacted to read:

22 (c) A ruling of the commissioner of administration to deny a waiver under (b)
23 of this section may be appealed to the office of administrative hearings.

24 * Sec. 24. AS 14.25.175(d) is amended to read:

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

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

31 (2) "actuarial adjustment" means the adjustment necessary to obtain

1 equality in value of the aggregate expected payments under two different forms of
2 pension payments, considering expected mortality and interest earnings on the basis of
3 assumptions, factors, and methods specified in regulations issued under the plan
4 [SYSTEM] that are formally adopted [UNDER AS 14.25.022] by the board and that
5 clearly preclude employer discretion in the determination of the amount of any
6 member's benefit;

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

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

11 * Sec. 27. AS 14.25.220(9) is amended to read:

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

14 * Sec. 28. AS 14.25.220(40) is amended to read:

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

19 * Sec. 29. AS 14.25.220 is amended by adding a new paragraph to read:

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

22 * Sec. 30. AS 14.25 is amended by adding new sections to read:

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

24 **Sec. 14.25.310. Applicability of AS 14.25.310 - 14.25.590.** The provisions of
25 AS 14.25.310 - 14.25.590 apply only to teachers who first become members on or
26 after July 1, 2005, or to members who transfer into the defined contribution plan under
27 AS 14.25.540.

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

30 (b) The defined contribution retirement plan includes a plan in which savings
31 are accumulated in an individual account for the exclusive benefit of the member or

1 beneficiaries. The plan is established effective July 1, 2005, at which time
2 contributions by employers and members begin.

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

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

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

14 (b) A teacher who has elected to participate in the optional university
15 retirement program under AS 14.40.661 - 14.40.799 may not participate as a member
16 of the defined contribution retirement plan.

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

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

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

29 **Sec. 14.25.345. Employment contributions mandatory.** (a) Contributions
30 of members shall be made by payroll deductions. Each member shall be considered to
31 consent to payroll deductions. It is of no consequence that a payroll deduction may

1 cause the compensation paid in cash to a member to be reduced below the minimum
2 required by law.

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

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

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

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

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

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

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

28 (d) In this section,

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

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

3 (3) "eligible retirement plan" means

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

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

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

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

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

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

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

16 (B) a distribution that is one of a series of substantially equal
17 instaliments payable not less frequently than annually over a specified period
18 of 10 years or more;

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

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

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

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

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

29 **Sec. 14.25.380. Limitations on contributions.** Notwithstanding any other
30 provisions of this plan, the annual additions to each member's individual account
31 under this plan and under all defined contribution plans of the employer required to be

1 aggregated with the contributions from this plan under the provisions of 26 U.S.C. 415
2 may not exceed, for any limitation year, the amount permitted under 26 U.S.C. 415 at
3 any time. If the amount of a member's defined contribution plan contributions exceeds
4 the limitation of 26 U.S.C. 415(c) for any limitation year, the administrator shall take
5 any necessary remedial action to correct an excess contribution. The provisions of 26
6 U.S.C. 415, and the regulations adopted under that statute, as applied to qualified
7 defined contribution plans of governmental employees are incorporated as part of the
8 terms and conditions of the plan.

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

11 (b) A member is fully vested in the employer contributions made on that
12 member's behalf, and related earnings, after five years of service. A member is
13 partially vested in the employer contributions made on that member's behalf, and the
14 related earnings, in the ratio of

- 15 (1) 25 percent with two years of service;
16 (2) 50 percent with three years of service; and
17 (3) 75 percent with four years of service.

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

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

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

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

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

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

12 **Sec. 14.25.410. Distribution election at termination.** (a) A member is
13 eligible to elect distribution of the member's account in accordance with this section
14 60 days after termination of employment.

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

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

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

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

30 (4) prevention of the eviction of the member from the member's
31 principal residence or foreclosure on the mortgage of the member's principal

1 residence; or

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

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

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

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

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

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

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

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

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

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

31 (6) joint and survivor annuity payment, which is an annuity payable

1 monthly to the member until the first of the month in which the member's death
2 occurs; after the member's death, a survivor annuity equal to 50 percent or 100 percent
3 of the member's benefit, as previously elected by the member, shall be paid monthly to
4 the joint annuitant for the remainder of the survivor's lifetime.

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

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

13 (d) If an unmarried member or other participant fails to elect a form of
14 payment before the distribution commencement date, the account shall be paid to a
15 beneficiary in the form of a lump sum to the extent required by the minimum
16 distribution requirements set out in the Internal Revenue Code. If a married member
17 fails to elect a form of payment before the distribution commencement date, the
18 account shall be paid in the form of a 50 percent joint and survivor annuity, with the
19 member's spouse as the joint annuitant.

20 **Sec. 14.25.430. Manner of electing distributions.** (a) Any election or any
21 alteration or revocation of a prior election by a participant for any purpose under this
22 plan shall be on forms or made in a manner prescribed for that purpose by the plan
23 administrator. To be effective, the forms required or the required action for any
24 purpose under this plan must be completed and received in accordance with
25 regulations adopted by the commissioner of administration.

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

- 28 (1) the form of payment election;
29 (2) an election to commence benefits; or
30 (3) the joint annuitant designation.

31 (c) Changes in elections are not allowed on or after seven days before the

1 distribution commencement date.

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

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

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

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

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

16 (5) notwithstanding (a) of this section, a participant whose account has
17 a balance of \$1,000 or less meets the requirements of AS 14.25.430, at which time the
18 participant must take payment of the participant's account.

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

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

25 (d) If a member has made a distribution election and dies before the
26 distribution of the member's interest begins, distribution of the member's entire interest
27 shall be completed by December 31 of the calendar year containing the fifth
28 anniversary of the member's death. However, if any portion of the member's interest
29 is payable to a designated beneficiary, distributions may be made over the life of the
30 designated beneficiary or over a period certain not greater than the life expectancy of
31 the designated beneficiary, commencing on or before December 31 of the calendar

1 year immediately following the calendar year in which the member died, and, if the
2 designated beneficiary is the member's surviving spouse, the date distributions are
3 required to begin may not be earlier than the later of December 31 of the calendar year
4 (1) immediately following the calendar year in which the member died, or (2) in which
5 the member would have attained 70 1/2 years of age, whichever is earlier. If the
6 surviving spouse dies after the member but before payments to the spouse have begun,
7 the provisions of this subsection apply as if the surviving spouse were the member.
8 An amount paid to a child of the member shall be treated as if it were paid to the
9 surviving spouse if the amount becomes payable to the surviving spouse when the
10 child reaches the age of majority.

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

20 (f) For purposes of (b) of this section, distribution of a member's interest is
21 considered to begin (1) on the member's required beginning date, or (2) if the
22 designated beneficiary is the member's surviving spouse and the surviving spouse dies
23 after the member but before payments to the spouse have begun, on the date
24 distribution is required to begin to the surviving spouse. If distribution in the form of
25 an annuity irrevocably commences to the member before the required beginning date,
26 the date distribution is considered to begin is the date that the distribution actually
27 commences.

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

31 (h) All distributions required under this section are determined and made in

1 accordance with 26 U.S.C. 401(a)(9) and regulations adopted under that statute,
2 including any minimum distribution incidental benefit requirement.

3 (i) In this section,

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

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

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

21 (1) except to the extent a qualified domestic relations order filed with
22 the administrator provides for payment to a former spouse or other dependent of the
23 member; or

24 (2) unless the member filed a revocation of beneficiary accompanied
25 by a written consent to the revocation from the present spouse and each person entitled
26 under the order; however, consent of the present spouse is not required if the member
27 and the present spouse had been married for less than one year on the date of the
28 member's death and if the member established when filing the revocation that the
29 member and the present spouse were not cohabiting.

30 (b) Except as provided in (a) of this section, the member may change or
31 revoke the designation without notice to the beneficiary or beneficiaries at any time.

1 If a member designates more than one beneficiary, each shares equally unless the
2 member specifies a different allocation or preference. The designation of a
3 beneficiary, a change or revocation of a beneficiary, and a consent to revocation of a
4 beneficiary shall be made on a form provided by the administrator and is not effective
5 until filed with the administrator.

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

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

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

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

13 (4) to the estate.

14 (d) A person claiming entitlement to benefits payable under AS 14.25.310 -
15 14.25.590 as a consequence of a member's death shall provide the administrator with a
16 marriage certificate, divorce or dissolution judgment, or other evidence of entitlement.
17 Documents establishing entitlement may be filed with the administrator immediately
18 after a change in the member's marital status. If the administrator does not receive
19 notification of a claim before the date 10 days after the member's death, the person
20 claiming entitlement is not entitled to receive from the division of retirement and
21 benefits any benefit already paid by the administrator.

22 **Sec. 14.25.460. Rights under qualified domestic relations order.** (a)
23 Notwithstanding the nonalienation provisions in AS 14.25.500(a), the administrator
24 may direct that benefits be paid to someone other than a member or beneficiary under
25 a valid qualified domestic relations order that is executed by the judge of a competent
26 court in accordance with applicable state law and that has been accepted by the
27 administrator.

28 (b) The administrator shall determine whether an order meets the requirements
29 of this section within a reasonable period after receiving an order. The administrator
30 shall notify the member and any alternate payee that an order has been received and
31 indicate to the member and any alternate payee when the order is accepted. A separate

1 account for the alternate payee portion shall be established as soon as administratively
2 feasible after the order has been accepted by the administrator.

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

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

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

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

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

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

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

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

21 Sec. 14.25.480. Medical benefits. (a) The medical benefits available to
22 eligible persons are access to the retiree major medical insurance plan and to the
23 health reimbursement arrangement under AS 39.30.300. Access to the retiree major
24 medical insurance plan means that an eligible person may not be denied insurance
25 coverage except for failure to pay the required premium.

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

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

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

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

9 (f) The medical and optional insurance premiums owed by the person who
10 elects coverage may be deducted from the health reimbursement arrangement. If the
11 amount of the health reimbursement arrangement becomes insufficient to pay the
12 premiums, the person who elects coverage under (a) of this section shall pay the
13 premiums directly.

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

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

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

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

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

24 (C) 20 percent if the member had 20 or more, but less than 25,
25 years of service;

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

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

29 (h) The eligibility for retiree major medical insurance coverage for an
30 alternate payee under a qualified domestic relations order shall be determined based
31 on the eligibility of the member to elect coverage. The alternate payee shall pay the

1 full monthly premium for retiree major medical insurance coverage.

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

3 (1) be informed by the administrator in writing

4 (A) that the health insurance coverage available to retired
5 members may be different from the health insurance coverage provided to
6 employees;

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

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

12 (j) The monthly group premiums for retiree major medical insurance coverage
13 are established by the administrator in accordance with AS 39.30.095. Nothing in
14 AS 14.25.310 - 14.25.590 guarantees a person who elects coverage under (a) of this
15 section a monthly group premium rate for retiree major medical insurance coverage
16 other than the premium in effect for the month in which the premium is due for
17 coverage for that month.

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

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

23 (b) The plan administrator may not modify or amend the plan retroactively in
24 such a manner as to reduce the benefits of any member accrued to date under the plan
25 by reason of contributions made before the modification or amendment except to the
26 extent that the reduction is permitted by the Internal Revenue Code.

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

31 (d) Any contribution made by an employer to the plan because of a mistake of

1 fact must be returned to the employer by the administrator within one year after the
2 contribution or discovery, whichever is later.

3 **Sec. 14.25.500. Exclusive benefit.** (a) The corpus or income of the assets
4 held in trust as required by the plan may not be diverted or used for other than the
5 exclusive benefit of the participants.

6 (b) If plan benefits are provided through the distribution of annuity or
7 insurance contracts, any refunds or credits in excess of plan benefits due to dividends,
8 earnings, or other experience rating credits, or surrender or cancellation credits, shall
9 be paid to the trust fund.

10 (c) The assets of the plan may not be used to pay premiums or contributions of
11 the employer under another plan maintained by the employer.

12 **Sec. 14.25.510. Nonguarantee of returns, rates, or benefit amounts.** The
13 plan created by AS 14.25.310 - 14.25.590 is a defined contribution plan, not a defined
14 benefit plan. The amount of money in the account of a participant depends on the
15 amount of contributions and the rate of return from investments of the account that
16 varies over time. If benefits are paid in the form of an annuity, the benefit amount
17 payable is dependent on the amount of money in the account and the interest rates
18 applied and service fees charged by the annuity payor at the time benefits are first
19 paid. Nothing in this plan guarantees a participant

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

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

25 **Sec. 14.25.520. Nonguarantee of employment.** The provisions of
26 AS 14.25.310 - 14.25.590 are not a contract of employment between an employer and
27 an employee, nor do they confer a right of an employee to be continued in the
28 employment of an employer, nor are they a limitation of the right of an employer to
29 discharge an employee with or without cause.

30 **Sec. 14.25.530. Fraud.** A person who knowingly makes a false statement or
31 falsifies or permits to be falsified a record of this plan in an attempt to defraud the plan

1 is guilty of a class A misdemeanor.

2 **Sec. 14.25.540. Transfer into defined contribution retirement plan by**
3 **nonvested members of defined benefit retirement plan.** (a) Subject to (g) of this
4 section, an active member of the defined benefit retirement plan of the teachers'
5 retirement system is eligible to participate in the defined contribution retirement plan
6 established under AS 14.25.310 - 14.25.590 if that member has not vested.
7 Participation in the defined contribution retirement plan is in lieu of participation in
8 the defined benefit retirement plan established under AS 14.25.009 - 14.25.220.

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

11 (c) Each eligible member who elects to participate in the defined contribution
12 retirement plan shall have transferred to a new account the present value of the
13 member contribution account balance held in trust for the member under the defined
14 benefit retirement plan of the teachers' retirement system. A matching employer
15 contribution shall be made on behalf of that employee to the new account. Upon a
16 transfer, all service credit previously earned under the defined benefit retirement plan
17 shall be nullified for purposes of entitlement to a future benefit under the defined
18 benefit retirement plan but shall be credited for purposes of eligibility to elect medical
19 benefits under AS 14.25.470. An eligible member whose accounts are subject to a
20 qualified domestic relations order may not make an election to participate in the
21 defined contribution retirement plan under this subsection unless the qualified
22 domestic relations order is amended or vacated and court-certified copies of the order
23 are received by the administrator.

24 (d) As directed by the participant, the board shall transfer or cause to be
25 transferred the appropriate amounts to the designated account. The board shall
26 establish transfer procedures by regulation, but the actual transfer may not be later
27 than 30 days after the effective date of the member's participation in the defined
28 contribution retirement plan unless the major financial markets for securities available
29 for a transfer are seriously disrupted by an unforeseen event that also causes the
30 suspension of trading on any national securities exchange in the country where the
31 securities were issued. In that event, the 30-day period of time may be extended by a

1 resolution of the board of trustees. Transfers are not commissionable or subject to
2 other fees and may be in the form of securities or cash as determined by the board.
3 Securities shall be valued as of the date of receipt in the participant's account.

4 (e) If the board or the administrator receives notification from the United
5 States Department of the Treasury, Internal Revenue Service, that this section or a
6 portion of this section will cause the retirement system under this chapter, or a portion
7 of the retirement system under this chapter, to be disqualified for tax purposes under
8 the Internal Revenue Code, the portion that will cause the disqualification does not
9 apply, and the board and the administrator shall notify the presiding officers of the
10 legislature.

11 (f) The election to participate in the defined contribution retirement plan must
12 be made in writing on forms and in the manner prescribed by the administrator.
13 Before accepting an election to participate in the defined contribution retirement plan,
14 the administrator must provide the employee planning on making an election to
15 participate in the defined contribution retirement plan with information, including
16 calculations to illustrate the effect of moving the employee's retirement plan from the
17 defined benefit retirement plan to the defined contribution retirement plan as well as
18 other information to clearly inform the employee of the potential consequences of the
19 employee's election. An election made under this subsection to participate in the
20 defined contribution retirement plan is irrevocable. Upon making the election, the
21 participant shall be enrolled as a member of the defined contribution retirement plan,
22 the member's participation in the plan shall be governed by the provisions of
23 AS 14.25.310 - 14.25.590, and the member's participation in the defined benefit
24 retirement plan under AS 14.25.009 - 14.25.220 shall terminate. The participant's
25 enrollment in the defined contribution retirement plan shall be effective the first day of
26 the month after the administrator receives the completed enrollment forms. An
27 election made by an eligible member who is married is not effective unless the
28 election is signed by the individual's spouse.

29 (g) A member may make an election under this section only if the member's
30 employer participates in both the defined benefits retirement plan and the defined
31 contribution retirement plan and consents to transfers under this section. The

1 employer shall notify the administrator if the employer consents to allowing the
2 employer's members to choose to transfer from the defined benefits retirement plan to
3 the defined contribution retirement plan under this section. An employer's notice to
4 allow transfers is irrevocable and applicable to all eligible employees of the employer.

5 (h) In this section,

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

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

10 **Sec. 14.25.550. Membership in teachers' and public employees'**
11 **retirement systems.** A person who is employed at least half-time in the public
12 employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990) during the
13 same period that the person is employed at least half-time in a position in the teachers'
14 defined contribution retirement plan (AS 14.25.310 - 14.25.590) shall receive credited
15 service under each plan for half-time employment. However, the amount of credited
16 service a person receives under the public employees' defined contribution retirement
17 plan during a school year may not exceed the amount necessary, when added to the
18 amount of credited service earned during the school year under the teachers' defined
19 contribution retirement plan, to equal one year of credited service.

20 **Sec. 14.25.560. Legislators who have been teachers.** (a) A state legislator
21 who was an active member of the defined contribution plan under other sections of
22 AS 14.25.310 - 14.25.590 within the 12 months immediately preceding election to
23 office may, subject to the requirements of (b) of this section, elect to be an active
24 member of the teachers' defined contribution retirement plan for as long as the state
25 legislator serves continuously as a state legislator if, within 90 days after taking the
26 oath of office.

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

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

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

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

3 (ii) an amount equal to the difference between the total
4 employer and state contributions required for a member under
5 AS 14.25.310 - 14.25.590 and the employer contributions that would be
6 required under the public employees' defined contribution retirement
7 plan (AS 39.35.700 - 39.35.990) if the legislator were covered under
8 that plan; and

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

10 (b) A state legislator is not entitled to elect membership under (a) of this
11 section if the state legislator is covered for the same period of service under the public
12 employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990). An
13 election of membership under (a) of this section is retroactive to the date the state
14 legislator took the oath of office. A state legislator may not receive membership credit
15 under (a) of this section for legislative service performed before the legislative session
16 during which the state legislator elected membership under (a) of this section. In order
17 to continue in membership service under (a) of this section, the state legislator must
18 earn at least 0.3 years of membership service under other sections of AS 14.25.310 -
19 14.25.590 during each five-year period.

20 **Sec. 14.25.570. Participation by National Education Association**
21 **employees.** An employee or former employee of the National Education Association
22 of Alaska may participate in the teachers' defined contribution retirement plan under
23 AS 14.25.310 - 14.25.590 if the employee or former employee possesses or is eligible
24 to possess a teacher certificate under AS 14.20.020.

25 **Sec. 14.25.580. Participation by Special Education Service Agency**
26 **employees.** An employee of the Special Education Service Agency may participate in
27 the system under this chapter if the employee possesses or is eligible to possess a
28 teacher certificate under AS 14.20.020.

29 **Sec. 14.25.590. Definitions.** In AS 14.25.310 - 14.25.590, unless the context
30 requires otherwise,

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

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

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

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

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

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

10 (7) "compensation"

11 (A) means

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

16 (ii) the member contribution to the teachers' retirement
17 system under AS 14.25.340;

18 (B) does not include retirement benefits, severance pay or other
19 separation bonuses, welfare benefits, per diem, expense allowances, workers'
20 compensation payments, payments for leave not used whether those leave
21 payments are scheduled payments, lump-sum payments, donations, or cash-ins,
22 any remuneration contributed by the employer for or on account of the
23 employee under this plan or under any other qualified or nonqualified
24 employee benefit plan, any remuneration not specifically included above
25 which would have been excluded under 26 U.S.C. 3121(a) (Internal Revenue
26 Code) if the employer had remained in the Federal Social Security System, or
27 any remuneration paid by the employer in excess of the Social Security
28 Taxable Wage Base for the calendar year;

29 (C) notwithstanding (B) of this paragraph, includes any amount
30 that is contributed by the employer under a salary reduction agreement and that
31 is not includible in the gross income of the employee under 26 U.S.C. 125.

1 132(f)(4), 402(e)(3), 402(h)(I)(B) or 403(b) (Internal Revenue Code); the
2 annual compensation limitation for the member, which is so taken into account
3 for those purposes, may not exceed \$200,000, as adjusted for the cost of living
4 in accordance with 26 U.S.C. 401(a)(17)(B) (Internal Revenue Code), with the
5 limitation for a fiscal year being the limitation in effect for the calendar year
6 within which the fiscal year begins;

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

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

10 (10) "employer" means a public school district, the Board of Regents
11 of the University of Alaska, the Department of Education and Early Development, or
12 the regional resource centers;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

19 (C) sets out the amount or percentage of the member's benefit,
20 or of any survivor's benefit, to be paid to the alternate payee, or sets out the
21 manner in which that amount or percentage is to be determined;

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

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

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

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

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

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

3 (24) "retirement fund" or "fund" means the fund in which the assets of
4 the plan, including income and interest derived from the investment of money, are
5 deposited and held;

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

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

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

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

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

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

25 (A) during any school year,

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

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

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

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

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

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

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

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

3 years;

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

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

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

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

10 * Sec. 31. AS 14.40.280(c) is amended to read:

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

18 * Sec. 32. AS 14.40.400(b) is amended to read:

19 (b) The Board of Regents is the fiduciary of the fund. The Board of Regents
20 shall account for and invest the fund. In carrying out its investment responsibilities
21 under this subsection, the Board of Regents has the same powers and duties with
22 respect to the fund as are provided to and required of the Alaska Retirement
23 Management [STATE PENSION INVESTMENT] Board under AS 37.10.210
24 [AS 14.25.180].

25 * Sec. 33. AS 14.40.671(c) is amended to read:

26 (c) An employee whose rights to transfer assets out of a state retirement
27 system are subject to a qualified domestic relations order is entitled to transfer assets
28 from the state retirement system to the program only if the requirements for receiving
29 a refund under AS 14.25.150(b), 14.25.360, [OR] AS 39.35.200(c), or 39.35.760, as
30 appropriate, are met.

31 * Sec. 34. AS 22.25.048(c) is amended to read:

1 (c) The Alaska Retirement Management [STATE PENSION
2 INVESTMENT] Board is the fiduciary of the fund and has the same powers and
3 duties under this section in regard to the judicial retirement trust fund as are provided
4 in AS 37.10.210 [AS 14.25.180].

5 * Sec. 35. AS 22.25.900(1) is amended to read:

6 (1) "actuarial equivalent" means the adjustment necessary to obtain
7 equality in value of the aggregate expected payments under two different forms of
8 pension payments, considering expected mortality and interest earnings on the basis of
9 assumptions, factors, and methods specified in regulations issued under the system
10 that are formally adopted [UNDER AS 22.25.027] by the Alaska Retirement
11 Management Board [COMMISSIONER OF ADMINISTRATION] that clearly
12 preclude employer discretion in the determination of the amount of any justice's,
13 judge's, or member's benefit;

14 * Sec. 36. AS 26.05.226(a) is amended to read:

15 (a) The Department of Military and Veterans' Affairs shall contribute to the
16 Alaska National Guard and Alaska Naval Militia retirement system the amounts
17 determined by the Alaska Retirement Management Board [COMMISSIONER OF
18 ADMINISTRATION] as necessary to

19 (1) fund the system based on the actuarial requirements of the system
20 as established by the Alaska Retirement Management Board [COMMISSIONER
21 OF ADMINISTRATION]; and

22 (2) administer the system.

23 * Sec. 37. AS 26.05.228(c) is amended to read:

24 (c) The Alaska Retirement Management [STATE PENSION
25 INVESTMENT] Board is the fiduciary of the fund and has the same powers and
26 duties under this section in regard to the fund as are provided under AS 37.10.220
27 [AS 14.25.180].

28 * Sec. 38. AS 36.30.015(f) is amended to read:

29 (f) The board of directors of the Alaska Housing Finance Corporation,
30 notwithstanding AS 18.56.088, and the board of directors of the Knik Arm Bridge and
31 Toll Authority under AS 19.75.111, shall adopt regulations under AS 44.62

1 (Administrative Procedure Act) and the board of trustees of the Alaska Retirement
2 Management [STATE PENSION INVESTMENT] Board shall adopt regulations
3 under AS 37.10.240 to govern the procurement of supplies, services, professional
4 services, and construction for the respective public corporation and board. The
5 regulations must reflect competitive bidding principles and provide vendors
6 reasonable and equitable opportunities to participate in the procurement process and
7 must include procurement methods to meet emergency and extraordinary
8 circumstances. Notwithstanding the other provisions of this subsection, the Alaska
9 Housing Finance Corporation, the Knik Arm Bridge and Toll Authority, and the
10 Alaska Retirement Management [STATE PENSION INVESTMENT] Board shall
11 comply with AS 36.30.170(b).

12 * Sec. 39. AS 36.30.990(1) is amended to read:

13 (1) "agency"

14 (A) means a department, institution, board, commission,
15 division, authority, public corporation, the Alaska Pioneers' Home, the Alaska
16 Veterans' Home, or other administrative unit of the executive branch of state
17 government;

18 (B) does not include

19 (i) the University of Alaska;

20 (ii) the Alaska Railroad Corporation;

21 (iii) the Alaska Housing Finance Corporation;

22 (iv) a regional Native housing authority created under
23 AS 18.55.996 or a regional electrical authority created under
24 AS 18.57.020;

25 (v) the Department of Transportation and Public
26 Facilities, in regard to the repair, maintenance, and reconstruction of
27 vessels, docking facilities, and passenger and vehicle transfer facilities
28 of the Alaska marine highway system;

29 (vi) the Alaska Aerospace Development Corporation;

30 (vii) the Alaska Retirement Management [STATE
31 PENSION INVESTMENT] Board;

1 (viii) the Alaska Seafood Marketing Institute;

2 * Sec. 40. AS 37.10.071(d) is amended to read:

3 (d) In exercising investment, custodial, or depository powers or duties under
4 this section, the fiduciary or the fiduciary's designee is liable for a breach of a duty
5 that is assigned or delegated under this section, or under [AS 14.25.180,
6 AS 14.40.255, 14.40.280(c), 14.40.400(b), AS 37.10.070, AS 37.14.110(c), 37.14.160,
7 or 37.14.170 [, OR AS 39.35.080]. However, the fiduciary or the designee is not
8 liable for a breach of a duty that has been delegated to another person if the delegation
9 is prudent under the applicable standard of prudence set out in statute or if the duty is
10 assigned by law to another person, except to the extent that the fiduciary or designee

11 (1) knowingly participates in, or knowingly undertakes to conceal, an
12 act or omission of another person knowing that the act or omission is a breach of that
13 person's duties under this chapter;

14 (2) by failure to comply with this section in the administration of
15 specific responsibilities, enables another person to commit a breach of duty; or

16 (3) has knowledge of a breach of duty by another person, unless the
17 fiduciary or designee makes reasonable efforts under the circumstances to remedy the
18 breach.

19 * Sec. 41. AS 37.10.071(f) is amended to read:

20 (f) In this section, "fiduciary of a state fund" or "fiduciary" means

21 (1) the commissioner of revenue for investments under AS 37.10.070;

22 or

23 (2) with respect to the Alaska Retirement Management [STATE
24 PENSION INVESTMENT] Board, for investments of the collective funds that it
25 manages and administers [UNDER OR SUBJECT TO AS 14.25.180].

26 (A) each trustee who serves on the board of trustees; and

27 (B) any other person who exercises control or authority with
28 respect to management or disposition of assets for which the board is
29 responsible or who gives investment advice to the board; or

30 (3) the person or body provided by law to manage the investments for
31 investments not subject to [AS 14.25.180 OR] AS 37.10.070.

1 * Sec. 42. AS 37.10.210 is repealed and reenacted to read:

2 Sec. 37.10.210. Alaska Retirement Management Board. (a) The Alaska
3 Retirement Management Board is established in the Department of Revenue. The
4 board's primary mission is to serve as the trustee of the assets of the state's retirement
5 systems, the State of Alaska Supplemental Annuity Plan, and the deferred
6 compensation program for state employees. Consistent with standards of prudence,
7 the board has the fiduciary obligation to manage and invest these assets in a manner
8 that is sufficient to meet the liabilities and pension obligations of the systems, plan,
9 and program. The board may, with the approval of the commissioner of revenue and
10 upon agreement with the responsible fiduciary, manage and invest other state funds so
11 long as the activity does not interfere with the board's primary mission. In making
12 investments, the board shall exercise the powers and duties of a fiduciary of a state
13 fund under AS 37.10.071.

14 (b) The Alaska Retirement Management Board consists of nine trustees. The
15 commissioner of administration and the commissioner of revenue shall serve on the
16 board. The governor shall appoint seven additional trustees who meet the eligibility
17 requirements for an Alaska permanent fund dividend and who are professionally
18 credentialed or have recognized competence in investment management, finance,
19 banking, economics, accounting, pension administration, or actuarial analysis as
20 follows:

21 (1) three trustees shall be appointed from the general public: a trustee
22 appointed under this paragraph may not hold another state office, position, or
23 employment and may not be a member or beneficiary of a retirement system managed
24 by the board;

25 (2) one trustee shall be employed as a finance officer for a political
26 subdivision participating in the public employees' retirement system;

27 (3) one trustee shall be employed as a finance officer for a political
28 subdivision participating in the teachers' retirement system;

29 (4) one trustee shall be a member of the public employees' retirement
30 system;

31 (5) one trustee shall be a member of the teachers' retirement system.

1 (c) The trustees, other than the two commissioners, shall serve for staggered
2 terms of three years and may be reappointed to the board for a total of three
3 consecutive terms. A person who has served three consecutive terms may not be
4 reappointed to the board for at least one year.

5 (d) The governor may, by written notice to the trustee, remove a trustee for
6 cause. After a trustee receives written notice of removal, the trustee may not
7 participate in board business and may not be counted for purposes of establishing a
8 quorum.

9 (e) A vacancy on the board of trustees shall be promptly filled. A person
10 filling a vacancy holds office for the balance of the unexpired term of the person's
11 predecessor, and the balance of the unexpired term served is not included in the three-
12 term limitation under (c) of this section. A vacancy on the board does not impair the
13 authority of a quorum of the board to exercise all the powers and perform all the duties
14 of the board.

15 (f) Five trustees constitute a quorum for the transaction of business and the
16 exercise of the powers and duties of the board.

17 (g) A trustee may not designate another person to serve on the board in the
18 absence of the trustee.

19 (h) The board shall provide annual training to its members on the duties and
20 powers of a fiduciary of a state fund and other training as necessary to keep the
21 members of the board educated about pension management and investment.

22 (i) The board shall elect a trustee to serve as chair and a trustee to serve as
23 vice-chair for one-year terms. A trustee may be reelected to serve additional terms as
24 chair or vice-chair.

25 * Sec. 43. AS 37.10 is amended by adding a new section to read:

26 Sec. 37.10.215. Attorney general. The attorney general is the legal counsel
27 for the board and shall advise the board and represent it in legal proceeding.

28 * Sec. 44. AS 37.10.220 is repealed and reenacted to read:

29 Sec. 37.10.220. Powers and duties of the board. (a) The board shall

30 (1) hold regular and special meetings at the call of the chair or of at
31 least five members; meetings are open to the public, and the board shall keep a full

1 record of all its proceedings;

2 (2) after reviewing recommendations from the Department of
3 Revenue, adopt investment policies for each of the funds entrusted to the board;

4 (3) determine the appropriate investment objectives for the defined
5 benefit plans established under the teachers' retirement system under AS 14.25 and the
6 public employees' retirement system under AS 39.35;

7 (4) provide a range of investment options and establish the rules by
8 which participants can direct their investments among those options with respect to
9 accounts established under

10 (A) AS 14.25.340 and 14.25.350 (teachers' retirement system
11 defined contribution individual accounts);

12 (B) AS 39.30.150 - 39.30.180 (State of Alaska Supplementary
13 Annuity Plan);

14 (C) AS 39.35.730 - 39.35.750 (public employees' retirement
15 system defined contribution individual accounts); and

16 (D) AS 39.45.010 - 39.45.060 (public employees' deferred
17 compensation program);

18 (5) establish the rate of interest that shall be annually credited to each
19 member's individual contribution account in accordance with AS 14.25.145 and
20 AS 39.35.100 and the rate of interest that shall be annually credited to each member's
21 account in the health reimbursement arrangement plan under AS 39.30.300 -
22 39.30.495; the rate of interest shall be adopted on the basis of the probable effective
23 rate of interest on a long-term basis, and the rate may be changed from time to time;

24 (6) adopt a contribution surcharge as necessary under AS 39.35.160(e);

25 (7) coordinate with the retirement system administrator to have an
26 annual actuarial valuation of each retirement system prepared to determine system
27 assets, accrued liabilities, and funding ratios and to certify to the appropriate
28 budgetary authority of each employer in the system

29 (A) an appropriate contribution rate for normal costs; and

30 (B) an appropriate contribution rate for liquidating any past
31 service liability;

1 (8) review actuarial assumptions prepared and certified by a member
2 of the American Academy of Actuaries and conduct experience analyses of the
3 retirement systems not less than once every four years, except for health cost
4 assumptions, which shall be reviewed annually; the results of all actuarial assumptions
5 prepared under this paragraph shall be reviewed and certified by a second member of
6 the American Academy of Actuaries before presentation to the board;

7 (9) contract for an independent audit of the state's actuary not less than
8 once every four years;

9 (10) contract for an independent audit of the state's performance
10 consultant not less than once every four years;

11 (11) obtain an external performance review to evaluate the investment
12 policies of each fund entrusted to the board and report the results of the review to the
13 appropriate fund fiduciary;

14 (12) by the first day of each regular legislative session, report to the
15 governor, the legislature, and the individual employers participating in the state's
16 retirement systems on the financial condition of the systems in regard to

17 (A) the valuation of trust fund assets and liabilities;

18 (B) current investment policies adopted by the board;

19 (C) a summary of assets held in trust listed by the categories of
20 investment;

21 (D) the income and expenditures for the previous fiscal year;

22 (E) the return projections for the next calendar year;

23 (F) one-year, three-year, five-year, and 10-year investment
24 performance for each of the funds entrusted to the board; and

25 (G) other statistical data necessary for a proper understanding
26 of the financial status of the systems;

27 (13) submit quarterly updates of the investment performance reports to
28 the Legislative Budget and Audit Committee; and

29 (14) develop an annual operating budget.

30 (b) The board may

31 (1) employ outside investment advisors to review investment policies;

1 (2) enter into an agreement with the fiduciary of another state fund in
2 order to assume the management and investment of those assets;

3 (3) contract for other services necessary to execute the board's powers
4 and duties;

5 (4) enter into confidentiality agreements that would exempt records
6 from AS 40.25.110 and 40.25.120 if the records contain information that could affect
7 the value of investment by the board or that could impair the ability of the board to
8 acquire, maintain, or dispose of investments.

9 (c) Expenses for the board and the operations of the board shall be paid from
10 the retirement fund.

11 * Sec. 45. AS 37.10.250 is amended to read:

12 Sec. 37.10.250. Compensation of trustees. Trustees, other than trustees who
13 are employees of the state, [OR] a political subdivision of the state, or a school
14 district or regional educational attendance area in the state, receive an honorarium
15 of \$150 for each day spent at a meeting of the board or at a meeting of a subcommittee
16 of the board or at a public meeting as a representative of the board, including a day in
17 which a trustee travels to or from a meeting. Trustees who are state employees are
18 entitled to administrative leave for service as a trustee. Trustees who are employees of
19 a political subdivision of the state or a school district or regional educational
20 attendance area in the state are entitled to leave benefits provided by their employers
21 comparable to those provided to state employees for service as a trustee. Trustees are
22 entitled to per diem and travel expenses authorized for boards and commissions under
23 AS 39.20.180.

24 * Sec. 46. AS 37.10.270(a) is amended to read:

25 (a) The board may [SHALL] appoint an investment advisory council
26 composed of at least three and not more than five members. Members of the council
27 shall possess experience and expertise in financial investments and management of
28 investment portfolios for public, corporate, or union pension benefit funds,
29 foundations, or endowments.

30 * Sec. 47. AS 37.10.390 is amended to read:

31 Sec. 37.10.390. Definitions. In AS 37.10.210 - 37.10.390, unless the context

1 otherwise requires,

2 (1) "board" means the board of trustees of the Alaska Retirement
3 Management [STATE PENSION INVESTMENT] Board;

4 (2) "fund" means the fund or funds composed of the assets of each
5 of the retirement systems administered and managed by the board;

6 (3) "recognized competence" means a minimum of 10 years'
7 professional working experience working or teaching in the field of investment
8 management, finance, banking, economics, accounting, pension administration,
9 or actuarial analysis;

10 (4) "retirement systems" or "systems" means the teachers' retirement
11 system, the judicial retirement system, the Alaska National Guard and Alaska Naval
12 Militia retirement system, [AND] the public employees' retirement system, the State
13 of Alaska teachers' and public employees' retiree health reimbursement
14 arrangement plan, and the elected public officers' retirement system under
15 former AS 39.37.

16 * Sec. 48. AS 37.14.160 is amended to read:

17 Sec. 37.14.160. Duties of the commissioner of revenue. The commissioner
18 of revenue is the treasurer of the trust fund created in AS 37.14.110 and shall

19 (1) in carrying out investment duties under this section, exercise the
20 same powers and duties established for the Alaska Retirement Management [STATE
21 PENSION INVESTMENT] Board in AS 37.10.210 [AS 14.25.180(c)];

22 (2) deposit the principal and income from investments in separate
23 principal and income accounts for the fund;

24 (3) invest and maintain accounting records that distinguish between the
25 principal and income of the fund;

26 (4) provide reports to the board established under AS 37.14.120 on the
27 condition and investment performance of the fund.

28 * Sec. 49. AS 37.14.210(4) is amended to read:

29 (4) invest and reinvest the assets of the trust as provided in this section
30 and as provided for the investment of funds under [AS 14.25.180(e) AND]
31 AS 37.14.170;

1 * Sec. 50. AS 37.14.520(4) is amended to read:

2 (4) invest and reinvest the assets of the fund as provided in this section
3 and as provided for the investment of funds under [AS 14.25.180(c) AND]
4 AS 37.14.170;

5 * Sec. 51. AS 37.14.610 is amended to read:

6 Sec. 37.14.610. Duties of the commissioner. The commissioner of revenue
7 has the power and duty to

8 (1) act as official custodian of the cash and investments belonging to
9 the Arctic Winter Games Team Alaska trust by securing adequate and safe custodial
10 facilities;

11 (2) exercise the same powers and duties as those established for the
12 Alaska Retirement Management [STATE PENSION INVESTMENT] Board in
13 AS 37.10.210 [AS 14.25.180(b) AND (c)];

14 (3) invest the assets of the trust in a manner likely to yield at least five
15 percent real rate of return over time;

16 (4) maintain accounting records of the trust in accordance with
17 investment accounting principles;

18 (5) enter into and enforce contracts or agreements considered
19 necessary for the investment purposes of the trust;

20 (6) report annually to the board of directors of the Arctic Winter
21 Games Team Alaska the condition and performance of the trust;

22 (7) monitor use of trust money by the Arctic Winter Games Team
23 Alaska; and

24 (8) do all acts that the commissioner of revenue considers necessary or
25 proper in administering the assets of the trust.

26 * Sec. 52. AS 39.30.090(a) is amended to read:

27 (a) The Department of Administration may obtain a policy or policies of group
28 insurance covering state employees, persons entitled to coverage under AS 14.25.168,
29 14.25.480, AS 22.25.090, AS 39.35.535, 39.35.880, or former AS 39.37.145,
30 employees of other participating governmental units, or persons entitled to coverage
31 under AS 23.15.136, subject to the following conditions:

1 (1) A group insurance policy shall provide one or more of the
2 following benefits: life insurance, accidental death and dismemberment insurance,
3 weekly indemnity insurance, hospital expense insurance, surgical expense insurance,
4 dental expense insurance, audiovisual insurance, or other medical care insurance.

5 (2) Each eligible employee of the state, the spouse and the unmarried
6 children chiefly dependent on the eligible employee for support, and each eligible
7 employee of another participating governmental unit shall be covered by the group
8 policy, unless exempt under regulations adopted by the commissioner of
9 administration.

10 (3) A governmental unit may participate under a group policy if

11 (A) its governing body adopts a resolution authorizing
12 participation, and payment of required premiums;

13 (B) a certified copy of the resolution is filed with the
14 Department of Administration; and

15 (C) the commissioner of administration approves the
16 participation in writing.

17 (4) In procuring a policy of group health or group life insurance as
18 provided under this section or excess loss insurance as provided in AS 39.30.091, the
19 Department of Administration shall comply with the dual choice requirements of
20 AS 21.86.310, and shall obtain the insurance policy from an insurer authorized to
21 transact business in the state under AS 21.09, a hospital or medical service corporation
22 authorized to transact business in this state under AS 21.87, or a health maintenance
23 organization authorized to operate in this state under AS 21.86. An excess loss
24 insurance policy may be obtained from a life or health insurer authorized to transact
25 business in this state under AS 21.09 or from a hospital or medical service corporation
26 authorized to transact business in this state under AS 21.87.

27 (5) The Department of Administration shall make available bid
28 specifications for desired insurance benefits or for administration of benefit claims and
29 payments to (A) all insurance carriers authorized to transact business in this state
30 under AS 21.09 and all hospital or medical service corporations authorized to transact
31 business under AS 21.87 who are qualified to provide the desired benefits; and (B) to

1 insurance carriers authorized to transact business in this state under AS 21.09, hospital
2 or medical service corporations authorized to transact business under AS 21.87, and
3 third-party administrators licensed to transact business in this state and qualified to
4 provide administrative services. The specifications shall be made available at least
5 once every five years. The lowest responsible bid submitted by an insurance carrier,
6 hospital or medical service corporation, or third-party administrator with adequate
7 servicing facilities shall govern selection of a carrier, hospital or medical service
8 corporation, or third-party administrator under this section or the selection of an
9 insurance carrier or a hospital or medical service corporation to provide excess loss
10 insurance as provided in AS 39.30.091.

11 (6) If the aggregate of dividends payable under the group insurance
12 policy exceeds the governmental unit's share of the premium, the excess shall be
13 applied by the governmental unit for the sole benefit of the employees.

14 (7) A person receiving benefits under AS 14.25.110, AS 22.25,
15 AS 39.35, or former AS 39.37 may continue the life insurance coverage that was in
16 effect under this section at the time of termination of employment with the state or
17 participating governmental unit.

18 (8) A person electing to have insurance under (7) of this subsection
19 shall pay the cost of this insurance.

20 (9) For each permanent part-time employee electing coverage under
21 this section, the state shall contribute one-half the state contribution rate for permanent
22 full-time state employees, and the permanent part-time employee shall contribute the
23 other one-half.

24 (10) A person receiving benefits under AS 14.25, AS 22.25, AS 39.35,
25 or former AS 39.37 may obtain auditory, visual, and dental insurance for that person
26 and eligible dependents under this section. The level of coverage for persons over 65
27 shall be the same as that available before reaching age 65 except that the benefits
28 payable shall be supplemental to any benefits provided under the federal old age,
29 survivors, and disability insurance program. A person electing to have insurance
30 under this paragraph shall pay the cost of the insurance. The commissioner of
31 administration shall adopt regulations implementing this paragraph.

1 (11) A person receiving benefits under AS 14.25, AS 22.25, AS 39.35,
2 or former AS 39.37 may obtain long-term care insurance for that person and eligible
3 dependents under this section. A person who elects insurance under this paragraph
4 shall pay the cost of the insurance premium. The commissioner of administration
5 shall adopt regulations to implement this paragraph.

6 (12) Each licensee holding a current operating agreement for a vending
7 facility under AS 23.15.010 - 23.15.210 shall be covered by the group policy that
8 applies to governmental units other than the state.

9 * Sec. 53. AS 39.30.095(d) is amended to read:

10 (d) If the commissioner of administration determines that there is more money
11 in the fund than the amount needed to pay premiums, benefits, and administrative
12 costs for the current fiscal year, the surplus, or so much of it as the commissioner of
13 administration considers advisable, may be invested by the commissioner of revenue
14 in the same manner as retirement funds are invested under AS 37.10.210 and
15 AS 37.10.220 [AS 14.25.180].

16 * Sec. 54. AS 39.30.150(b) is amended to read:

17 (b) Employees of the division of marine transportation included in
18 AS 39.35.095 - 39.35.680 [THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM]
19 through the process of collective bargaining under AS 39.35.680(21)(D) may, under
20 the terms of a collective bargaining agreement, utilize contributions made under (a) of
21 this section on their behalf to offset the costs of inclusion in the public employees'
22 retirement system; however,

23 (1) the state is placed under no obligation to continue making
24 contributions under this section if the state resumes participation in the federal social
25 security system;

26 (2) the bargaining agreement must provide a mechanism for satisfying
27 any residual liabilities that might exist if the state resumes participation in the federal
28 social security system; and

29 (3) funds contributed under (a) of this section on behalf of employees
30 who are not covered by maritime union contracts may not be obligated or expended to
31 pay any costs associated with the inclusion of marine transportation employees in

1 AS 39.35.095 - 39.35.680 [THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM].

2 * Sec. 55. AS 39.30 is amended by adding a new section to read:

3 Sec. 39.30.151. **Administrator.** The commissioner of administration or the
4 commissioner's designee is the administrator of the system.

5 * Sec. 56. AS 39.30 is amended by adding a new section to read:

6 Sec. 39.30.154. **Powers and duties of the administrator.** The administrator
7 has the same powers and duties with regard to the plan as those set out in
8 AS 14.25.004.

9 * Sec. 57. AS 39.30.155 is repealed and reenacted to read:

10 Sec. 39.30.155. **Management and investment of fund.** The Alaska
11 Retirement Management Board is the fiduciary of the fund and has the same powers
12 and duties under this section in regard to the fund as are provided under AS 37.10.210.

13 * Sec. 58. AS 39.30.160(a) is amended to read:

14 (a) The Department of Administration shall, in accordance with policies
15 prescribed by regulations of the Alaska Retirement Management [PUBLIC
16 EMPLOYEES RETIREMENT] Board, provide to employees for whom special
17 individual employee benefit accounts are established under AS 39.30.150 the
18 following benefit options:

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

23 * Sec. 59. AS 39.30.160(e) is amended to read:

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

27 * Sec. 60. AS 39.30.175(a) is amended to read:

28 (a) The board [ALASKA STATE PENSION INVESTMENT BOARD] is the
29 fiduciary of the mandatory receipts, under AS 39.30.150(a), of the employee benefits
30 program established under AS 39.30.150 - 39.30.180 and has the same powers and
31 duties concerning the management and investment in regard to those receipts as are

1 provided under AS 37.10.210 [AS 14.25.180].

2 * **Sec. 61.** AS 39.30.180 is amended by adding a new paragraph to read:

3 (3) "board" means the board of trustees of the Alaska Retirement
4 Management Board established under AS 37.10.210.

5 * **Sec. 62.** AS 39.30 is amended by adding new sections to read:

6 **Article 5. State of Alaska Teachers' and Public Employees' Retiree Health**
7 **Reimbursement Arrangement Plan.**

8 **Sec. 39.30.300. State of Alaska Teachers' and Public Employees' Retiree**
9 **Health Reimbursement Arrangement Plan established.** The State of Alaska
10 Teachers' and Public Employees' Retiree Health Reimbursement Arrangement Plan is
11 established for teachers who first become members of the defined contribution plan of
12 the teachers' retirement system under AS 14.25.310 - 14.25.590 on or after July 1,
13 2005, and employees of the state, political subdivisions of the state, and public
14 organizations of the state who first become members of the defined contribution plan
15 of the public employees' retirement system under AS 39.35.700 - 39.35.990 on or after
16 July 1, 2005.

17 **Sec. 39.30.310. Purpose and effective date.** (a) The purpose of the plan is to
18 allow medical care expenses to be reimbursed from individual savings accounts
19 established for eligible persons.

20 (b) The plan becomes effective July 1, 2005, at which time contributions by
21 employers begin.

22 **Sec. 39.30.320. Attorney general.** The attorney general of the state is the
23 legal counsel for the plan and shall advise the administrator and represent the plan in a
24 legal proceeding.

25 **Sec. 39.30.330. Administrator.** The commissioner of administration or the
26 commissioner's designee is the administrator of the plan.

27 **Sec. 39.30.340. Powers and duties of the administrator.** The administrator
28 shall establish a teachers' and public employees' retiree health reimbursement
29 arrangement plan trust fund in which the assets of the plan shall be deposited and held.
30 The administrator has the same powers and duties with regard to the plan and the trust
31 fund as provided in AS 14.25.004.

1 **Sec. 39.30.350. Employer contribution fund.** The fund established under
2 AS 39.30.340 is an employer contribution fund. The value of the fund reflects
3 employer contributions, expenses, and investment gains and losses. Employee
4 contributions to the fund are not permitted.

5 **Sec. 39.30.360. Management and investment of the fund.** The Alaska
6 Retirement Management Board is the fiduciary of the fund and has the same powers
7 and duties under this section in regard to the fund as are provided under AS 37.10.220.

8 **Sec. 39.30.370. Contributions by employers.** For each member of the plan,
9 an employer shall contribute to the teachers' and public employees' retiree health
10 reimbursement arrangement plan trust fund an amount equal to two percent of the
11 employer's average annual employee compensation. The administrator shall maintain
12 a record for each member to account for employer contributions on behalf of that
13 member. The board shall establish by regulation the rate of interest to be applied
14 annually to the amount in a member's individual account.

15 **Sec. 39.30.380. Termination of employment.** A person who terminates
16 employment before meeting the eligibility requirements of AS 14.25.470 or
17 AS 39.35.870 loses any right to the contributions made on behalf of the person to the
18 teachers' and public employees' retiree health reimbursement arrangement trust fund.
19 If a person returns to employment with a participating employer within five years after
20 the date of termination, the person's account balance shall be restored in the amount
21 recorded on the date of termination from the trust, without interest or other adjustment.

22 **Sec. 39.30.390. Eligibility and reimbursement.** Persons who meet the
23 eligibility requirements of AS 14.25.470 and AS 39.35.870 are eligible for
24 reimbursements from the individual account established for a member under the plan.
25 A person who is the dependent child of an eligible member is eligible for
26 reimbursements if the eligible member and surviving spouse have both died so long as
27 the person meets the definition of dependent child.

28 **Sec. 39.30.400. Benefits payable from the individual account.** (a) The
29 administrator may deduct the cost of monthly premiums from the individual account
30 for retiree major medical insurance on behalf of an eligible person who elected retiree
31 major medical insurance under AS 14.25.480 or AS 39.35.880.

1 (b) Upon application of an eligible person, the administrator shall reimburse to
2 the eligible person the costs for medical care expenses as defined in 26 U.S.C. 213(d).
3 Reimbursement is limited to the medical expenses of

4 (1) an eligible member, the spouse of an eligible member, and the
5 dependent children of an eligible member; or

6 (2) a surviving spouse and the dependent children of an eligible
7 member dependent on the surviving spouse.

8 (c) When the member's individual account balance is exhausted, the insurance
9 premium deductions under (a) of this section and the reimbursement of medical care
10 expenses under (b) of this section end.

11 (d) If all eligible persons die before exhausting the member's individual
12 account, the account balance shall revert to the plan.

13 **Sec. 39.30.410. Exemption from taxation and process.** (a) Contributions
14 and other amounts held in the plan on behalf of a member or other person who is or
15 may become eligible for benefits under the plan may be used only to reimburse
16 eligible medical expenses, are exempt from Alaska state and municipal taxes and
17 federal taxes to the extent allowed under the Internal Revenue Code, and are not
18 subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or
19 charge of any kind, either voluntary or involuntary, before they are received by the
20 person entitled to the amount under the terms of the plan. Any attempt to anticipate,
21 alienate, sell, transfer, assign, pledge, encumber, charge, or otherwise dispose of any
22 right to amounts accrued in the plan is void. However, a member's right to receive
23 benefits may be assigned

24 (1) under a qualified domestic relations order; or

25 (2) to a trust or similar legal device that meets the requirements for a
26 Medicaid-qualifying trust under AS 47.07.020(f) and 42 U.S.C. 1396p(d)(4).

27 (b) Notwithstanding AS 09.38.065, contributions and other amounts held in
28 the plan and benefits payable under this plan are exempt from garnishment, execution,
29 or levy.

30 **Sec. 39.30.420. Amendment and termination of plan.** (a) The state has the
31 right to amend the plan at any time and from time to time, in whole or in part.

1 including the right to make retroactive amendments referred to in 26 U.S.C. 401(b).

2 (b) The plan administrator may not modify or amend the plan retroactively in
3 such a manner as to reduce the benefits of any member accrued to date under the plan
4 by reason of contributions made before the modification or amendment except to the
5 extent that the reduction is permitted by the Internal Revenue Code.

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

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

13 **Sec. 39.30.430. Exclusive benefit.** (a) The corpus or income of the assets
14 held in trust as required by the plan may not be diverted or used for other than the
15 exclusive benefit of the participants.

16 (b) The assets of the plan may not be used to pay premiums or contributions of
17 the employer under another plan maintained by the employer.

18 **Sec. 39.30.495. Definitions.** Unless the context requires otherwise, in
19 AS 39.30.300 - 39.30.495

20 (1) "administrator" means the commissioner of administration or the
21 commissioner's designee;

22 (2) "board" means the Alaska Retirement Management Board
23 established under AS 37.10.210;

24 (3) "compensation" has the meaning given in AS 14.25.590;

25 (4) "eligible person" means a person who meets the eligibility
26 requirements of AS 14.25.470 or AS 39.35.870;

27 (5) "dependent child" has the meaning given in AS 39.35.680;

28 (6) "employer" has the meaning given in AS 14.25.590 for employers
29 of teachers in the defined contribution plan established in AS 14.25.310 - 14.25.590
30 and has the meaning given in AS 39.35.990 for employers of public employees in the
31 defined contribution plan established in AS 39.35.700 - 39.35.990;

1 (7) "fund" means the assets of the teachers' and public employees'
2 retiree health reimbursement arrangement plan trust fund;

3 (8) "individual account" means the record established by the
4 administrator for individual employees under the teachers' and public employees'
5 retiree health reimbursement arrangement plan;

6 (9) "member" means a member of the defined contribution plan of the
7 teachers' retirement system in AS 14.25.310 - 14.25.590 or a member of the public
8 employees' retirement system in AS 39.35.700 - 39.35.990;

9 (10) "plan" means the State of Alaska Teachers' and Public Employees'
10 Retiree Health Reimbursement Arrangement Plan established in AS 39.30.300;

11 (11) "qualified domestic relations order" has the meaning given in
12 AS 14.25.220.

13 * Sec. 63. AS 39.35 is amended by adding new sections to read:

14 **Article 1. Administration of the Public Employees' Retirement System of Alaska.**

15 **Sec. 39.35.001. Purpose.** The purpose of this chapter is to encourage
16 qualified personnel to enter and remain in service with participating employers by
17 establishing plans for the payment of retirement, disability, and death benefits to or on
18 behalf of the members.

19 **Sec. 39.35.002. Attorney general.** The attorney general of the state is the
20 legal counsel for the system and shall advise the administrator and represent the
21 system in a legal proceeding.

22 **Sec. 39.35.003. Administrator.** (a) The commissioner of administration or
23 the commissioner's designee is the administrator of the system.

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

26 **Sec. 39.35.004. Powers and duties of the administrator.** (a) The
27 administrator shall

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

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

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

- 1 (4) make payments for the various purposes specified;
- 2 (5) submit periodic reports or statements of account that are needed;
- 3 (6) issue a statement of account to an employee not less than once each
- 4 year showing the amount of the employee's contributions to the applicable plan in the
- 5 system;
- 6 (7) formulate and recommend to the commissioner of administration
- 7 regulations to govern the operation of the system;
- 8 (8) as soon as possible after the close of each fiscal year, and not later
- 9 than six months after the close of each fiscal year, send to the governor and the
- 10 legislature an annual statement on the operations of each of the plans in the system
- 11 containing
- 12 (A) a balance sheet;
- 13 (B) a statement of income and expenditures for the year;
- 14 (C) a report on valuation of trust fund assets;
- 15 (D) a summary of assets held in the trust fund listed by the
- 16 categories of investment, as provided by the Alaska Retirement Management
- 17 Board;
- 18 (E) other statistical financial data that are necessary for proper
- 19 understanding of the financial condition of the system as a whole and each plan
- 20 in the system and the result of its operations;
- 21 (9) engage an independent certified public accountant to conduct an
- 22 annual audit of each plan's accounts and the annual report of the system's financial
- 23 condition and activity;
- 24 (10) report to the Legislative Budget and Audit Committee concerning
- 25 the condition and administration of each plan and distribute the report to the members
- 26 of each plan in the system;
- 27 (11) publish an information handbook for each plan in the system at
- 28 intervals that the administrator considers appropriate;
- 29 (12) meet at least annually with the board to review the condition and
- 30 management of the retirement systems and to review significant changes to policies,
- 31 regulations or benefits; and

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

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

5 (c) The administrator is authorized to contract with public and private entities
6 to provide record keeping, benefits payments, and other functions necessary for the
7 administration of each plan in the system.

8 Sec. 39.35.005. Regulations. (a) Regulations adopted by the commissioner
9 of administration under this chapter relate to the internal management of state
10 agencies, and the adoption of these regulations is not subject to AS 44.62
11 (Administrative Procedure Act).

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

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

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

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

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

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

26 (4) furnished to each member of the legislature and to the Legislative
27 Affairs Agency.

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

30 (f) The commissioner may hold a public hearing on a proposed regulation.

31 (g) A regulation adopted under this chapter takes effect 30 days after adoption

1 by the commissioner.

2 (h) Notwithstanding the other provisions of this section, a regulation may be
3 adopted, amended, or repealed, effective immediately, as an emergency regulation by
4 the commissioner. For an emergency regulation to be effective the commissioner
5 must find that the adoption, amendment, or repeal of the regulation is necessary for the
6 immediate preservation of the orderly operation of the system. The commissioner
7 shall, within 10 days after adoption of an emergency regulation, give notice of the
8 adoption under (d) of this section.

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

10 **Sec. 39.35.006. Appeals.** An employer, member, annuitant, or beneficiary
11 may appeal a decision made by the administrator to the office of administrative
12 hearings established under AS 44.64. An aggrieved party may appeal a final decision
13 to the superior court.

14 **Sec. 39.35.007. Investment management of retirement system funds.** The
15 Alaska Retirement Management Board established under 37.10.210 is the fiduciary of
16 the system funds.

17 **Sec. 39.35.008. Definitions.** In AS 39.35.001 - 39.35.008,

18 (1) "commissioner" means the commissioner of administration;

19 (2) "plan" means the retirement plan established in AS 39.35.095 -
20 39.35.680 or the retirement plan established in AS 39.35.700 - 39.35.990;

21 (3) "system" means all retirement plans established under the public
22 employees' retirement system.

23 * **Sec. 64.** AS 39.35 is amended by adding a new section to read:

24 **Article 2. Public Employees First Hired before July 1, 2005.**

25 **Sec. 39.35.095. Applicability of AS 39.35.095 - 39.35.680 to employees first**
26 **hired before July 1, 2005.** The following provisions of this chapter apply only to
27 members first hired before July 1, 2005: AS 39.35.095 - 39.35.680.

28 * **Sec. 65.** AS 39.35.100 is amended to read:

29 **Sec. 39.35.100. Accounting.** (a) The commissioner of administration shall
30 establish and maintain an adequate system of accounts and records for the plan
31 [SYSTEM]. The accounts and records shall be integrated with the accounts, records,

1 and procedures of the employers to the end that they operate most effectively and at
2 minimum expense, and that duplication of records and accounts is avoided.

3 (b) All income of the pension fund and all disbursements made by the fund
4 shall be credited or charged, whichever is appropriate, to the following accounts:

5 (1) An individual account shall be maintained for each employee to
6 record the amount of the employee's mandatory contributions collected under
7 AS 39.35.160(a). As of the last day of each calendar year and each fiscal year
8 beginning with June 30, 1969, this account shall be credited with interest, by applying
9 [ONE HALF OF] the prescribed rate of interest as determined by the board to the
10 balance in the account as of that date. Within one year following retirement, the
11 amount actuarially determined as necessary to fully fund the benefits to be received
12 shall be transferred first from the employee contribution account and, after the
13 employee contribution account has been exhausted, then from the employer
14 contribution account into the retirement reserve account.

15 (2) An individual account shall be maintained for each employee to
16 record the amount of the employee's voluntary contributions. As of the last day of
17 each calendar year and each fiscal year beginning with June 30, 1969, this account
18 shall be credited with interest, by applying [ONE HALF OF] the prescribed rate of
19 interest as determined by the board to the balance in the account as of that date.
20 Amounts that, before termination of employment, are withdrawn by an employee from
21 the employee's savings account shall be charged to that account. Upon retirement, the
22 amount actuarially determined as necessary to fully fund the benefits to be received
23 shall be transferred first from the employee savings account and, after the employee
24 savings account has been exhausted, then from the employer contribution account into
25 the retirement reserve account.

26 (3) A separate account for each employer shall be maintained. The
27 account shall be credited with contributions of the employer. This account shall be
28 charged with the employer's actuarial charge for pension, death benefits, and other
29 benefits paid under this plan [SYSTEM] to or on behalf of the employee of the
30 employer. After an allowance for interest credited to employee contribution accounts
31 and employee savings accounts, the investment income of the pension fund shall be

1 allocated to the retirement reserve account and to each employer asset share account
2 according to the ratio that the average of the assets in the account as of the beginning
3 and as of the end of the fiscal year bears to the total of the average balance of the
4 retirement reserve account and all employer accounts.

5 (4) An expense account shall be maintained for the plan [SYSTEM].
6 This account shall be charged with all disbursements representing administrative
7 expenses incurred by the plan [SYSTEM]. At the end of the year the expense account
8 shall be allocated to each employer in accordance with (3) of this subsection.
9 Expenditures from this account shall be included in the governor's budget for each
10 fiscal year and are subject to approval by the legislature.

11 * Sec. 66. AS 39.35 is amended by adding a new section to article 1 to read:

12 Sec. 39.35.115. **Defined benefit retirement plan.** (a) A defined benefit
13 retirement plan for employees of the state, political subdivisions, and public
14 organizations is created. The plan becomes effective January 1, 1961, at which time
15 contributions by the employers and members begin.

16 (b) The retirement plan established by AS 39.35.095 - 39.35.680 is intended to
17 qualify under 26 U.S.C. 401(a) and 414(d) (Internal Revenue Code) as a qualified
18 retirement plan established and maintained by the state for its employees and for the
19 employees of political subdivisions, public corporations, and public organizations of
20 the state, and for the employees of other employers whose participation is authorized
21 by AS 39.35.095 - 39.35.680 and who participate in this plan.

22 (c) An amendment to AS 39.35.095 - 39.35.680 does not provide a person
23 with a vested right to a benefit if the Internal Revenue Service determines that the
24 amendment will result in disqualification of the plan under the Internal Revenue Code.

25 * Sec. 67. AS 39.35.131 is amended to read:

26 Sec. 39.35.131. **Membership in teachers' and public employees'**
27 **retirement systems.** (a) A person who is employed at least half-time in the plan
28 [SYSTEM] during the same period that the person is employed at least half-time in a
29 position in the teachers' retirement plan [SYSTEM] under AS 14.25.009 - 14.25.220
30 [AS 14.25] shall receive credited service under each plan [SYSTEM] for half-time
31 employment. However, the amount of credited service a person receives under the

1 plan [SYSTEM] during a school year may not exceed the amount necessary, when
2 added to the amount of credited service earned during the school year under the
3 teachers' retirement system, to equal one year of credited service.

4 (b) A person who was employed at least half-time in a position in the teachers'
5 retirement plan [SYSTEM] under AS 14.25.609 - 14.25.220 [AS 14.25] in the same
6 period that the person was employed at least half-time in a position in this plan
7 [SYSTEM] may claim credited service in both plan [SYSTEMS] for employment
8 before May 31, 1989. To obtain this credited service, the person shall claim the
9 service and verify the period of half-time employment. When eligibility for half-time
10 service credit has been established, an indebtedness shall be determined to the
11 retirement plan [SYSTEM] in which the person did not participate. The amount of
12 the indebtedness is the full actuarial cost of providing benefits for the credited service
13 claimed. Interest as prescribed by regulation accrues on that indebtedness beginning
14 on the later of July 1, 1989, or the date on which the member is first eligible to claim
15 the service. Any outstanding indebtedness existing at the time the person retires will
16 require an actuarial adjustment to the benefits payable based on that service.

17 * Sec. 68. AS 39.35.158 is amended to read:

18 **Sec. 39.35.158. Administrative director of courts.** An administrative
19 director of the Alaska court system who withdraws from the judicial retirement system
20 under AS 22.25.012 is eligible for membership in the plan [SYSTEM] and shall
21 receive credited service in the plan [SYSTEM] for service rendered as administrative
22 director. To be eligible for membership in the plan [SYSTEM] under this subsection,
23 the administrative director must contribute to the plan [SYSTEM]

24 (1) the amount the director would have contributed if the director had
25 been a member during the director's period of membership in the judicial retirement
26 system; and

27 (2) any contributions for services as administrative director refunded
28 by the plan [SYSTEM] at the time the director became a member of the judicial
29 retirement system.

30 * Sec. 69. AS 39.35.160(a) is amended to read:

31 (a) Beginning July 1, 2005 [JANUARY 1, 1987], each peace officer or fire

1 fighter shall contribute to the plan a percentage [SYSTEM AN AMOUNT EQUAL
2 TO SEVEN AND ONE-HALF PERCENT] of the peace officer's or fire fighter's
3 compensation as determined under AS 39.35.162. Except as provided in (d) of this
4 section, beginning July 1, 2005 [JANUARY 1, 1987], each other employee shall
5 contribute to the system a percentage [AN AMOUNT EQUAL TO SIX AND
6 THREE-QUARTERS PERCENT] of the employee's compensation as determined
7 under AS 39.35.162. The contributions shall be deducted by the employer at the end
8 of each payroll period. The contributions shall be deducted from employee
9 compensation before computation of applicable federal taxes, and the contributions
10 shall be treated as employer contributions under 26 U.S.C. 414(h)(2). A member may
11 not have the option of making the payroll deduction directly instead of having the
12 contribution picked up by the employer.

13 * Sec. 70. AS 39.35 is amended by adding a new section to read:

14 Sec. 39.35.162. Calculation of employee contribution rate. (a) Each peace
15 officer or fire fighter shall contribute a percentage of the peace officer's or fire fighter's
16 compensation to be determined annually in advance by the administrator. Each other
17 employee shall contribute a percentage of the employee's compensation to be
18 determined annually in advance by the administrator. The employee contribution rate
19 is the greater of

20 (1) 7.5 percent for a peace officer or fire fighter;

21 (2) 6.75 percent for each other employee; or

22 (3) one-half of the normal cost rate actuarially calculated to fund the
23 benefits expected to be earned by active members during the fiscal year.

24 (b) The normal cost rate for peace officers or fire fighters and the employee
25 contribution rate for other employees shall be separately calculated based on the
26 actuarially calculated costs for each group of employees.

27 (c) Notwithstanding (a) of this section, the employee contribution rate may not
28 increase more than one-half of a percentage point annually.

29 * Sec. 71. AS 39.35.165(a) is amended to read:

30 (a) An employee who is eligible to purchase credited service under
31 AS 39.35.310, 39.35.330, 39.35.340, 39.35.342, 39.35.345, [39.35.350,] 39.35.360, or

1 39.35.370, a member who is eligible to purchase credited service under AS 39.35.375,
2 or an elected public official who is eligible to purchase credited service under
3 AS 39.35.381 is an employee for purposes of this section. An employee may, in lieu
4 of making payments directly to the plan, elect to have the employee's employer make
5 payments as provided in this section.

6 * Sec. 72. AS 39.35.165(b) is amended to read:

7 (b) An employee may elect to have the employer make payments for all or any
8 portion of the amounts payable for the employee's purchase of credited service
9 through a salary reduction program as follows:

10 (1) the amounts paid under a salary reduction program are in lieu of
11 contributions by the employee making the election; the electing employee's salary or
12 other compensation shall be reduced by the amount paid by the employer under this
13 subsection;

14 (2) the employee shall make an irrevocable election under this section
15 to purchase credited service as permitted in AS 39.35.310, 39.35.330, 39.35.340,
16 39.35.342, 39.35.345, [39.35.350,] 39.35.360, 39.35.370, 39.35.375, or 39.35.381 and
17 before the employee's termination of employment; the irrevocable election must
18 specify the number of payroll periods that deductions will be made from the
19 employee's compensation and the dollar amount of deductions for each payroll period
20 during the specified number of payroll periods; the deductions made under this
21 paragraph cease upon the earlier of the member's termination of employment with the
22 employer or the member's death; amounts paid by an employer under (f) of this
23 section may not be applied toward the payment of the dollar amount of the deductions
24 representing the portion of the credited service that is being purchased by the member
25 through payroll deduction in accordance with the member's irrevocable election under
26 this subsection;

27 (3) amounts paid by an employer under this subsection shall be treated
28 as employer contributions for the purpose of determining tax treatment under the
29 Internal Revenue Code; the amounts paid by the employer under this section may not
30 be included in the member's gross income for income tax purposes until those amounts
31 are distributed by refund or retirement benefit payments.

1 * Sec. 73. AS 39.35.165(f) is amended to read:

2 (f) The commissioner may accept rollover contributions from a member [AND
3 DIRECT TRANSFERS, AS DESCRIBED IN THIS SUBSECTION, FOR THE
4 PURCHASE, IN WHOLE OR IN PART, OF CREDITED SERVICE FOR THE
5 REINSTATEMENT, IN WHOLE OR IN PART, OF FORFEITED CREDITED
6 SERVICE UNDER AS 39.35.350]. A rollover contribution [OR TRANSFER] as
7 described in this subsection shall also be treated as employer contributions for the
8 purpose of determining tax treatment under the Internal Revenue Code and may be
9 made by any one or a combination of the following methods:

10 (1) subject to the limitations prescribed in 26 U.S.C. 401(a)(3) and 26
11 U.S.C. 402(c), accepting eligible rollover distributions directly from one or more
12 retirement programs of another employer that are qualified under 26 U.S.C. 401(a) or
13 accepting rollovers directly from a member;

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

18 (3) subject to the limitations prescribed in 26 U.S.C. 403(b)(13),
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 a tax sheltered annuity described in 26
21 U.S.C. 403(b);

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

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

29 * Sec. 74. AS 39.35.165(g) is amended to read:

30 (g) Payments made under this section shall be applied to reduce the
31 employee's outstanding indebtedness described in AS 39.35.310, 39.35.330,

1 39.35.340, 39.35.342, 39.35.345, [39.35.350,] 39.35.360, 39.35.370, 39.35.375, or
2 39.35.381 at the time that the contributions are received by the plan.

3 * Sec. 75. AS 39.35.165(i) is amended to read:

4 (i) On satisfaction of the eligibility requirements of AS 39.35.310, 39.35.330,
5 39.35.340, 39.35.341, 39.35.345, [39.35.350,] 39.35.360, 39.35.370, 39.35.375, or
6 39.35.381, the requirements of this section, and the administrative filing requirements
7 specified by the commissioner, the plan shall adjust the employee's credited service
8 history and add any additional service credits acquired.

9 * Sec. 76. AS 39.35.200 is amended by adding a new subsection to read:

10 (d) An employee who receives a refund of contributions in accordance with
11 this section forfeits corresponding credited service under AS 39.35.095 - 39.35.680.

12 * Sec. 77. AS 39.35.270 is amended to read:

13 **Sec. 39.35.270. Amount of employer's contributions.** The amount of each
14 employer's contributions shall be determined by applying the employer's contribution
15 rate, as certified by the board, to the total compensation paid to the active employees
16 of the employer for each payroll period and by including any adjustments to
17 contributions required by AS 39.35.520(a). This amount shall be remitted by the
18 employer to the administrator in accordance with AS 39.35.610.

19 * Sec. 78. AS 39.35.270 is amended by adding a new subsection to read:

20 (b) When added to the member contribution rate calculated under
21 AS 39.35.162, the employer contribution may not be less than the rate required, as
22 actuarially calculated, to fully fund the future liabilities of active members.

23 * Sec. 79. AS 39.35.340(f) is amended to read:

24 (f) An employee may not [CANNOT] be credited with a period of active
25 military service in the armed forces of the United States under this section if credit for
26 that military service was granted under AS 14.25.009 - 14.25.220 [AS 14.25].

27 * Sec. 80. AS 39.35.340(h) is amended to read:

28 (h) The combined period of military service claimed under this section and
29 under AS 14.25.009 - 14.25.220 [AS 14.25] may not exceed five years.

30 * Sec. 81. AS 39.35.360(i) is amended to read:

31 (i) An employee who completes three years of credited service with an

1 employer, for which the employee makes contributions required by AS 39.35.095 -
2 39.35.680 [THIS CHAPTER], is entitled to credited service on a year-for-year basis
3 for service credited in the Civil Service Retirement System, rendered as an employee
4 of an Alaska Bureau of Indian Affairs (BIA) school, other than service as a teacher.
5 When eligibility for retroactive credited service under this subsection has been
6 established, an indebtedness of the employee to the plan [SYSTEM] shall be
7 determined as follows: (1) the employee's actual annual compensation, or the
8 calculated annual compensation for an employee who works fewer than 12 months, for
9 the most recent calendar year in which service is rendered to an employer before the
10 calendar year in which the employee first becomes eligible to claim service under this
11 subsection, multiplied by (2) the number of years of service in Alaska BIA schools
12 that is credited under this subsection, and this product multiplied by (3) six percent for
13 employees first eligible to claim this service before January 1, 1987, or eight and one-
14 half percent for employees first eligible to claim this service on or after January 1,
15 1987. Interest as prescribed by regulation accrues on the indebtedness beginning on
16 the date the employee may first claim the retroactive credited service. Any
17 outstanding indebtedness that exists at the time the employee retires requires an
18 actuarial adjustment to the benefits that are based on retroactive credited service under
19 this subsection. A retirement benefit payable under this subsection for Alaska BIA
20 service shall be reduced by an amount equal to the retirement benefits paid to the
21 member by the United States government for the same service.

22 * Sec. 82. AS 39.35.360(l) is amended to read:

23 (l) An administrative director of the Alaska Court System who withdraws
24 from the judicial retirement system under AS 22.25.012(b) is eligible for membership
25 in the plan [PUBLIC EMPLOYEES' RETIREMENT SYSTEM] and shall receive
26 credited service in this plan [SYSTEM] for service rendered as administrative
27 director. To be eligible for membership in this plan [SYSTEM] under this subsection,
28 the administrative director must contribute to the plan [SYSTEM]

29 (1) the amount that would have been contributed if the administrative
30 director had been a member during the period of the membership in the judicial
31 retirement system; and

1 (2) any contributions for service as administrative director refunded
2 from the plan [PUBLIC EMPLOYEES' RETIREMENT SYSTEM] at the time the
3 administrative director became a member of the judicial retirement system.

4 * Sec. 83. AS 39.35.370(g) is amended to read:

5 (g) When an employee who was employed as a dispatcher in a state trooper
6 office or in a police or fire department in the plan [PUBLIC EMPLOYEES'
7 RETIREMENT SYSTEM] applies for appointment to retirement, the employee may
8 convert the credited service for that position to credited service as a peace officer by
9 claiming the service as peace officer service. An employee who has converted
10 credited service to peace officer service under this subsection shall be treated as a
11 peace officer for purposes of AS 39.35.095 - 39.35.680 [THIS CHAPTER]. When the
12 member claims this credited service as peace officer service, an indebtedness of the
13 member to the plan [SYSTEM] shall be established. The indebtedness is equal to the
14 full actuarial cost of the conversion of the credited service to treatment as peace
15 officer service. Any outstanding indebtedness that exists at the time the member is
16 appointed to retirement shall [WILL] require an actuarial adjustment to the benefits
17 payable based upon the conversion of the credited service.

18 * Sec. 84. AS 39.35.375(a) is amended to read:

19 (a) An active or inactive member who has never been vested in this plan
20 [SYSTEM] or in the teachers' retirement plan [SYSTEM] under AS 14.25.009 -
21 14.25.220 [AS 14.25], who has at least two years of credited service in this plan
22 [SYSTEM], and who has membership service in the teachers' retirement system may
23 claim credited service in this plan [SYSTEM] in an amount equal to the membership
24 service the member has in the teachers' retirement system. The claimed credited
25 service may be added to service earned under AS 39.35.095 - 39.35.680 [THIS
26 CHAPTER] to enable the member to qualify for a public service benefit under this
27 section. The member may not claim credited service for membership service for
28 which the member has received a refund under AS 14.25.150 unless the member fully
29 pays the indebtedness as established under AS 14.25.063. The member may not claim
30 credited service in this plan [SYSTEM] based on unused sick leave under
31 AS 14.25.115.

1 * Sec. 85. AS 39.35.375(b) is amended to read:

2 (b) To claim credited service under this section, the member shall file a
3 written request with the administrator when the member applies to retire. The
4 administrator shall determine the full actuarial cost of benefits based on the member's
5 total credited service and shall transfer from the teachers' retirement system to this
6 plan [SYSTEM] an amount equal to the sum of the member contributions and any
7 indebtedness payments to the teachers' retirement system and the employer
8 contributions to the teachers' retirement system made on behalf of the employee
9 together with interest earned on those contributions and indebtedness payments. If the
10 amount to be transferred, when combined with the amount of employee contributions
11 and indebtedness payments to this plan [SYSTEM] and the amount of employer
12 contributions on behalf of the employee in this plan [SYSTEM], and interest earned
13 on contributions and indebtedness payments for the employee, is less than the full
14 actuarial cost computed under this subsection, an indebtedness to the plan [SYSTEM]
15 equal to the amount of the difference is established. Interest as prescribed by
16 regulation accrues on the indebtedness. The member must pay any outstanding
17 indebtedness existing at the time the member applies for retirement in full before the
18 member is appointed to retirement under this section.

19 * Sec. 86. AS 39.35.375(c) is amended to read:

20 (c) A member is entitled to receive a public service benefit under this section
21 if the member has at least a total of five years credited service under AS 39.35.095 -
22 39.35.680 [THIS CHAPTER] and credited service from the teachers' retirement plan
23 under AS 14.25.009 - 14.25.220 [SYSTEM], claimed under this section. A public
24 service benefit shall be calculated using the higher of the average monthly
25 compensation for service in this plan [SYSTEM] or the average base salary for
26 service in the teachers' retirement plan under AS 14.25.009 - 14.25.220 [SYSTEM].
27 The amount of the benefit shall be calculated in accordance with AS 39.35.370(c).

28 * Sec. 87. AS 39.35.375(d) is amended to read:

29 (d) Credited service earned under either this plan [SYSTEM] or the teachers'
30 retirement system that has been claimed for a public service benefit under this section
31 may not be used for any other purpose. A member who claims credited service under

1 this section loses all rights to benefits under AS 14.25 based on the claimed credited
2 service. A member may not claim credited service under this section unless the
3 member claims all of the membership service the member has in the teachers'
4 retirement system. A public service benefit does not constitute a normal or early
5 retirement benefit for purposes of qualifying for a conditional service retirement
6 benefit under AS 14.25.125 or AS 39.35.385.

7 * Sec. 88. 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 the
9 teachers' retirement system who is an active member or inactive member of this plan
10 [SYSTEM] may reinstate, under this section, membership service earned under
11 AS 14.25 for which the member received a refund of contributions.

12 * Sec. 89. AS 39.35.375(f) is amended to read:

13 (f) Notwithstanding AS 14.25.063 [AND AS 39.35.350], a former member of
14 the teachers' retirement system who is an active member or inactive member of this
15 plan may reinstate, under this section, membership service earned under AS 14.25 for
16 which the member received a refund of contributions.

17 * Sec. 90. AS 39.35.375(g) is amended to read:

18 (g) If a member retires under this section and subsequently returns to work for
19 an employer under this plan [SYSTEM] or the teachers' retirement system, benefits
20 under this section shall cease during the period of reemployment and shall
21 recommence when the reemployment is ended. The credited service earned during the
22 period of reemployment may not be added to the credited service claimed for a public
23 service benefit under this section. If a member vests and meets the other eligibility
24 requirements under this system or the teachers' retirement system during the
25 reemployment, the member is entitled to a benefit under AS 14.25.009 - 14.25.220
26 [AS 14.25] or 39.35.095 - 39.35.680 [AS 39.35], as appropriate.

27 * Sec. 91. AS 39.35.375 is amended by adding a new subsection to read:

28 (h) In this section,

29 (1) "teachers' retirement system" and "teachers' retirement system
30 under AS 14.25" means the teachers' retirement plan established in AS 14.25.009 -
31 14.25.220;

1 (2) "membership service earned under AS 14.25" means membership
2 service earned under AS 14.25.009 - 14.25.220.

3 * Sec. 92. AS 39.35.381(a) is amended to read:

4 (a) An elected public officer is eligible for a public officer benefit if the officer
5 is retired under AS 14.25.009 - 14.25.220 [AS 14.25 (TEACHERS' RETIREMENT
6 SYSTEM)]. Only fully paid credited service as an elected public officer of a
7 municipality or other political subdivision, earned while the municipality or political
8 subdivision was an employer under this plan [SYSTEM] and while the person was
9 employed full-time under AS 14.25.009 - 14.25.220 [AS 14.25], may be counted
10 under this section.

11 * Sec. 93. AS 39.35.385(f) is amended to read:

12 (f) Subject to AS 39.35.450, an employee is eligible for a normal retirement
13 benefit at age 60 or an early retirement benefit at age 55 if the employee was first
14 hired as a legislative employee before May 30, 1987, and has at least 120 [60] days of
15 credited service as an employee of the legislature, other than as an employee of the
16 Office of the Ombudsman or the office of victims' rights, during each of five
17 legislative sessions. An employee who was first hired as a legislative employee on or
18 after May 30, 1987, and is otherwise eligible under this subsection must have at least
19 120 [80] days of credited service during each of five legislative sessions to receive
20 benefits under this subsection.

21 * Sec. 94. AS 39.35.410(f) is amended to read:

22 (f) An employee is not entitled to an occupational disability benefit unless the
23 employee files an application for it with the administrator within 90 days of the date of
24 terminating employment. If the employee is unable to meet a filing requirement of
25 this subsection, it may be waived by the commissioner [PUBLIC EMPLOYEES'
26 RETIREMENT BOARD] if there are extraordinary circumstances that resulted in the
27 employee's inability to meet the filing requirement. [THE BOARD MAY
28 DELEGATE THE AUTHORITY TO WAIVE A FILING DEADLINE UNDER THIS
29 SUBSECTION TO THE ADMINISTRATOR.]

30 * Sec. 95. AS 39.35.475(a), as that subsection read following amendment by sec. 34, ch.
31 146, SLA 1980, until amended by sec. 41, ch. 82, SLA 1986, is amended to read:

1 (a) When the administrator determines that the cost of living has increased and
2 that the financial condition of the retirement fund permits, the administrator [HE]
3 shall increase benefit payments to persons receiving benefits under this plan. For
4 purposes of this subsection, the financial condition of the fund would only permit
5 an increase in benefits when the ratio of total fund assets to the accrued liability
6 meets or exceeds 110 percent. In this subsection, "accrued liability" means the
7 present value of all member benefits accrued by member service in this plan
8 [SYSTEM].

9 * Sec. 96. AS 39.35.485(a) is amended to read:

10 (a) An employee who is eligible for a benefit calculated in accordance with
11 AS 39.35.370(c) is entitled to a benefit of at least \$25 a month for each year of
12 credited service, not including adjustments made under AS 39.35.340 for military
13 service, [AS 39.35.350 FOR REINSTATEMENT OF CREDITED SERVICE,]
14 AS 39.35.360 for credit for earlier service, AS 39.35.370(c) for early retirement,
15 AS 39.35.420 for nonoccupational death benefits, AS 39.35.450 for the survivor's
16 option, former AS 39.35.460 for the level income option, AS 39.35.475 for the post-
17 retirement pension adjustment, and AS 39.35.480 for the cost of living.

18 * Sec. 97. AS 39.35.680(2) is amended to read:

19 () "actuarial adjustment" means the adjustment necessary to obtain
20 equality in value of the aggregate expected payments under two different forms of
21 pension payments, considering expected mortality and interest earnings on the basis of
22 assumptions, factors, and methods specified in regulations issued under this plan
23 [SYSTEM] that are formally adopted [UNDER AS 39.35.042] by the board that
24 clearly preclude employer discretion in the determination of the amount of any
25 member's benefit;

26 * Sec. 98. AS 39.35.680(6) is amended to read:

27 (6) "board" means the Alaska Retirement Management [PUBLIC
28 EMPLOYEES RETIREMENT] Board;

29 * Sec. 99. AS 39.35.680(34) is amended to read:

30 (34) "qualified domestic relations order" means a divorce or
31 dissolution judgment under AS 25.24, including an order approving a property

1 settlement, that

2 (A) creates or recognizes the existence of an alternate payee's
3 right to, or assigns to an alternate payee the right to, receive all or a portion of
4 employee contribution account or the benefits payable with respect to an
5 employee;

6 (B) sets out the name and last known mailing address, if any, of
7 the employee and of each alternate payee covered by the order;

8 (C) sets out the amount or percentage of the employee's benefit,
9 or of any survivor's benefit, to be paid to the alternate payee, or sets out the
10 manner in which that amount or percentage is to be determined;

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

13 (E) sets out the retirement plan [SYSTEM] to which the order
14 applies;

15 (F) does not require any type or form of benefit or any option
16 not otherwise provided by AS 39.35.095 - 39.35.680 [THIS CHAPTER];

17 (G) does not require an increase of benefits in excess of the
18 amount provided by AS 39.35.095 - 39.35.680 [THIS CHAPTER], determined
19 on the basis of actuarial value; and

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

23 * Sec. 100. AS 39.35.680 is amended by adding new paragraphs to read:

24 (41) "commissioner" means the commissioner of administration;

25 (42) "plan" means the retirement plan established in AS 39.35.095 -
26 39.35.680.

27 * Sec. 101. AS 39.35 is amended by adding new sections to read:

28 Article 9. Employees First Hired on or after July 1, 2005.

29 Sec. 39.35.700. Applicability of AS 39.35.700 - 39.35.990. The provisions of
30 AS 39.35.700 - 39.35.990 apply only to members first hired on or after July 1, 2005 or
31 to members who transfer into the defined contribution plan under AS 39.35.940.

1 **Sec. 39.35.710. Defined contribution retirement plan established; federal**
2 **qualification requirements.** (a) A defined contribution retirement plan is established
3 for employees of the state or a political subdivision or public organization of the state.

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

8 (c) The retirement plan established by AS 39.35.700 - 39.35.990 is intended to
9 qualify under 26 U.S.C. 401(a) and 414(d) (Internal Revenue Code) as a qualified
10 retirement plan established and maintained by the state for its employees, for the
11 employees of political subdivisions, public corporations, and public organizations of
12 the state, and for the employees of other employers whose participation is authorized
13 by AS 39.35.700 - 39.35.990 and who participate in the plan set out in AS 39.35.700 -
14 39.35.990.

15 (d) An amendment to AS 39.35.700 - 39.35.990 does not provide a person
16 with a vested right to a benefit if the Internal Revenue Service determines that the
17 amendment will result in disqualification of the plan under the Internal Revenue Code.

18 **Sec. 39.35.720. Membership.** An employee who becomes a member on or
19 after July 1, 2005, shall participate in the plan set out in AS 39.35.700 - 39.35.990.

20 **Sec. 39.35.730. Contributions by members.** (a) Each member shall
21 contribute to the member's individual account an amount equal to eight percent of the
22 member's compensation from July 1 to the following June 30.

23 (b) Subject to the limitations on contributions under AS 39.35.780, a member
24 may elect to make additional contributions to the member's individual account.

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

1 **Sec. 39.35.740. Employment contributions mandatory.** Contributions of
2 employees shall be made by payroll deductions. Every included employee shall be
3 considered to consent to payroll deductions. It is of no consequence that a payroll
4 deduction may cause the compensation paid in cash to an employee to be reduced
5 below the minimum required by law. Payment of an employee's compensation, less
6 payroll deductions, is a full and complete discharge and satisfaction of all claims and
7 demands by the employee relating to remuneration of services during the period
8 covered by the payment, except with respect to the benefits provided under the plan.

9 **Sec. 39.35.750. Contributions by employers.** (a) An employer shall
10 contribute to each member's individual account an amount equal to 4.5 percent of the
11 member's compensation from July 1 to the following June 30.

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

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

20 **Sec. 39.35.760. Rollover contributions and distributions.** (a) An employee
21 entering the plan may elect, at the time and in the manner prescribed by the
22 administrator, to have all or part of a direct rollover distribution from an eligible
23 retirement plan owned by the member paid directly into the member's individual
24 account.

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

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

30 (d) In this section,

31 (1) "direct rollover" means the payment of an eligible rollover

1 distribution by the plan to an eligible retirement plan specified by a distributee who is
2 eligible to elect a direct rollover;

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

5 (3) "eligible retirement plan" means

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

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

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

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

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

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

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

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

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

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

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

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

27 **Sec. 39.35.770. Transmittal of contributions.** All contributions deducted in
28 accordance with AS 39.35.700 - 39.35.990 shall be transmitted to the plan for deposit
29 in the trust fund as soon as administratively feasible, but in no event later than 15 days
30 following the close of the payroll period.

31 **Sec. 39.35.780. Limitations on contributions.** Notwithstanding any other

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

11 **Sec. 39.35.790. Vesting.** (a) A participating member is immediately and
12 fully vested in that member's contributions and related earnings.

13 (b) A member shall be fully vested in the employer contributions made on that
14 member's behalf, and related earnings, after five years of service. A member is
15 partially vested in the employer contributions made on that member's behalf, and the
16 related earnings, in the ratio of

- 17 (1) 25 percent with two years of service;
18 (2) 50 percent with three years of service; and
19 (3) 75 percent with four years of service.

20 **Sec. 39.35.800. Investment of individual accounts.** (a) The board shall
21 provide a range of investment options and permit a participant to exercise investment
22 control over the participant's assets in the member's individual account as provided in
23 this section. If a participant exercises control over the assets in the individual account,
24 the participant is not considered a fiduciary for any reason on the basis of exercising
25 that control.

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

28 (c) A participant may elect to change or transfer all or a portion of the
29 participant's existing account balance among available investment funds not more
30 often than once each day in accordance with the rules established by the administrator.
31 Only the last election received by the administrator before the transmittal of

1 contributions to the trust fund for allocation to the individual account shall be used to
2 direct the investment of the contributions received.

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

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

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

14 **Sec. 39.35.810. Distribution election at termination.** (a) A member is
15 eligible to elect distribution of the member's account in accordance with this section
16 60 days after termination of employment.

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

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

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

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

1 (4) prevention of the eviction of the member from the member's
2 principal residence or foreclosure on the mortgage of the member's principal
3 residence; or

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

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

11 (d) Distributions are payable to an alternate payee in accordance with the
12 terms and conditions of a qualified domestic relations order that is received and
13 approved by the administrator as specified in AS 39.35.860.

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

19 **Sec. 39.35.820. Forms of distribution.** (a) A participant may elect to receive
20 the participant's share of the individual account in a

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

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

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

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

31 (5) single life annuity payment, which is an annuity payable monthly

1 until the first of the month in which the annuitant's death occurs; or

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

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

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

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

22 **Sec. 39.35.830. Manner of electing distributions.** (a) Any election or any
23 alteration or revocation of a prior election by a participant for any purpose under this
24 plan shall be on forms or made in a manner prescribed for that purpose by the plan
25 administrator. To be effective, the forms required or the required action for any
26 purpose under this plan must be completed and received in accordance with
27 regulations adopted by the commissioner of administration.

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

30 (1) the form of payment election;

31 (2) an election to commence benefits; or

1 (3) the joint annuitant designation.

2 (c) Changes in elections are not allowed on or after seven days before the
3 benefit commencement date.

4 **Sec. 39.35.840. Distribution requirements.** (a) Payments to a participant
5 shall commence as soon as administratively feasible following the distribution
6 commencement date. The distribution commencement date is the first date on which
7 one of the following occurs:

8 (1) a member meets the requirements of AS 39.35.810 and has made a
9 complete application for payment under AS 39.35.830;

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

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

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

18 (5) notwithstanding (a) of this section, a participant whose account has
19 a balance of \$1,000 or less meets the requirements of AS 39.35.810, at which time the
20 participant must take payment of the participant's account.

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

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

27 (d) If a member has made a distribution election and dies before the
28 distribution of the member's interest begins, distribution of the member's entire interest
29 shall be completed by December 31 of the calendar year containing the fifth
30 anniversary of the member's death. However, if any portion of the member's interest
31 is payable to a designated beneficiary, distributions may be made over the life of the

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

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

22 (f) For purposes of (b) of this section, distribution of a member's interest is
23 considered to begin (1) on the member's required beginning date, or (2) if the
24 designated beneficiary is the member's surviving spouse and the surviving spouse dies
25 after the member but before payments to the spouse have begun, on the date
26 distribution is required to begin to the surviving spouse. If distribution in the form of
27 an annuity irrevocably commences to the member before the required beginning date,
28 the date distribution is considered to begin is the date that the distribution actually
29 commences.

30 (g) Notwithstanding any contrary provisions of AS 39.35.700 - 39.35.990, the
31 requirements of this section apply to all distributions of a member's interest and take

1 precedence over any inconsistent provisions of AS 39.35.700 - 39.35.990.

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

5 (i) In this section,

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

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

12 **Sec. 39.35.850. Designation of beneficiary.** (a) Each participant shall have
13 the right to designate a beneficiary and shall have the right, at any time, to revoke the
14 designation or to substitute another beneficiary, subject to the following limitation: if a
15 married member elects a nonspouse beneficiary, the value of the benefit payable to the
16 beneficiary may not exceed 50 percent of the member's portion of the account balance,
17 and the member's spouse shall automatically be considered the beneficiary for the
18 remaining 50 percent of the account balance, unless the spouse consents to the
19 beneficiary designation in a writing that is notarized or witnessed by the administrator.
20 If the spouse consents in this manner, a married member may designate a nonspouse
21 beneficiary for the entire benefit or any portion the benefit as part of an available form
22 of payment contained in this plan,

23 (1) except to the extent a qualified domestic relations order filed with
24 the administrator provides for payment to a former spouse or other dependent of the
25 member; or

26 (2) unless the member filed a revocation of beneficiary accompanied
27 by a written consent to the revocation from the present spouse and each person entitled
28 under the order; however, consent of the present spouse is not required if the member
29 and the present spouse had been married for less than one year on the date of the
30 member's death and if the member established when filing the revocation that the
31 member and the present spouse were not cohabiting.

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

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

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

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

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

15 (4) to the estate.

16 (d) A person claiming entitlement to benefits payable under AS 39.35.700 -
17 39.35.990 as a consequence of a member's death shall provide the administrator with a
18 marriage certificate, divorce or dissolution judgment, or other evidence of entitlement.
19 Documents establishing entitlement may be filed with the administrator immediately
20 after a change in the member's marital status. If the administrator does not receive
21 notification of a claim before the date 10 days after the member's death, the person
22 claiming entitlement is not entitled to receive from the division of retirement and
23 benefits any benefit already paid by the administrator.

24 **Sec. 39.35.860. Rights under qualified domestic relations order.** (a)
25 Notwithstanding the nonalienation provisions in AS 39.35.900(a), the plan
26 administrator may direct that benefits be paid to someone other than a member or
27 beneficiary under a valid qualified domestic relations order that is executed by the
28 judge of a competent court in accordance with applicable state law and that has been
29 accepted by the administrator.

30 (b) The administrator shall determine whether an order meets the requirements
31 of this section within a reasonable period after receiving an order. The administrator

1 shall notify the member and any alternate payee that an order has been received and
2 indicate to the member and any alternate payee when the order is accepted. A separate
3 account for the alternate payee portion shall be established as soon as administratively
4 feasible after the order has been accepted by the administrator.

5 **Sec. 39.35.870. Eligibility to elect medical benefits.** (a) A member is
6 eligible to elect the medical benefits under AS 39.35.880 if the member

7 (1) has at least 25 years of service as a peace officer or fire fighter or at
8 least 30 years of service for all other employees; or

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

10 (b) A member's surviving spouse is eligible to elect medical benefits under
11 AS 39.35.880 if the member had elected, or was eligible to elect medical benefits at
12 the time of the member's death.

13 (c) Members shall elect or reject medical benefits on the forms and in the
14 manner prescribed by the administrator. The decision to elect or reject benefits is
15 irrevocable.

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

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

21 (f) An eligible person must make the irrevocable election to participate or not
22 participate in the retiree major medical insurance by reaching 70 1/2 years of age, or
23 upon termination of employment, whichever is later.

24 **Sec. 39.35.880. Medical benefits.** (a) The medical benefits available to
25 eligible persons are access to the retiree major medical insurance plan and to the
26 health reimbursement arrangement under AS 39.30.300. Access to the retiree major
27 medical insurance plan means that an eligible person may not be denied insurance
28 coverage except for failure to pay the required premium.

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

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

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

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

12 (f) The medical and optional insurance premiums owed by the person who
13 elects coverage may be deducted from the health reimbursement arrangement. If the
14 amount of the health reimbursement arrangement becomes insufficient to pay the
15 premiums, the person who elects coverage under (a) of this section shall pay the
16 premiums directly.

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

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

21 (2) eligible for Medicare is the following percentage of the premium
22 amounts established for retirees who are eligible for Medicare:

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

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

27 (C) 20 percent if the member had 20 or more, but less than 25,
28 years of service;

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

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

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

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

6 (1) be informed by the administrator in writing

7 (A) that the health insurance coverage available to retired
8 members may be different from the health insurance coverage provided to
9 employees;

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

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

15 (j) The monthly group premiums for retiree major medical insurance coverage
16 are established by the administrator in accordance with AS 39.30.095. Nothing in
17 AS 39.35.700 - 39.35.990 guarantees a person who elects coverage under (a) of this
18 section a monthly group premium rate for retiree major medical insurance coverage
19 other than the premium in effect for the month in which the premium is due for
20 coverage for that month.

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

23 **Sec. 39.35.890. Amendment and termination of plan.** (a) The state has the
24 right to amend the plan at any time and from time to time, in whole or in part,
25 including the right to make retroactive amendments referred to in 26 U.S.C. 401(b).

26 (b) The plan administrator may not modify or amend the plan retroactively in
27 such a manner as to reduce the benefits of any member accrued to date under the plan
28 by reason of contributions made before the modification or amendment except to the
29 extent that the reduction is permitted by the Internal Revenue Code.

30 (c) The state may, in its discretion, terminate the plan in whole or part at any
31 time without liability for the termination. If the plan is terminated, all investments

1 remain in force until all individual accounts have been completely distributed under
2 the plan, and, after all plan liabilities are satisfied, excess assets revert to the employer.

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

6 **Sec. 39.35.900. Exclusive benefit.** (a) The corpus or income of the assets
7 held in trust as required by the plan may not be diverted or used for other than the
8 exclusive benefit of the participants.

9 (b) If plan benefits are provided through the distribution of annuity or
10 insurance contracts, any refunds or credits in excess of plan benefits due to dividends,
11 earnings, or other experience rating credits, or surrender or cancellation credits, shall
12 be paid to the trust fund.

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. 39.35.910. Nonguarantee of returns, rates, or benefit amounts.** The
16 plan created by AS 39.35.700 - 39.35.990 is a defined contribution plan, not a defined
17 benefit plan. The amount of money in the account of a participant depends on the
18 amount of contributions and the rate of return from investments of the account that
19 varies over time. If benefits are paid in the form of an annuity, the benefit amount
20 payable is dependent on the amount of money in the account and the interest rates
21 applied and service fees charged by the annuity payor at the time benefits are first
22 paid. Nothing in this plan guarantees a participant

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

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

28 **Sec. 39.35.920. Nonguarantee of employment.** The provisions of
29 AS 39.35.700 - 39.35.990 are not a contract of employment between an employer and
30 an employee, nor do they confer a right of an employee to be continued in the
31 employment of an employer, nor are they a limitation of the right of an employer to

1 discharge an employee with or without cause.

2 **Sec. 39.35.930. Fraud.** A person who knowingly makes a false statement or
3 falsifies or permits to be falsified a record of this plan in an attempt to defraud the plan
4 is guilty of a class A misdemeanor.

5 **Sec. 39.35.940. Transfer into defined contribution plan by nonvested**
6 **members of defined benefit plan.** (a) Subject to (g) of this section, an active
7 member of the defined benefit retirement plan of the teachers' retirement system is
8 eligible to participate in the defined contribution retirement plan established under
9 AS 39.35.700 - 39.35.990, if that member has not vested. Participation in the defined
10 contribution retirement plan is in lieu of participation in the defined benefit retirement
11 plan established under AS 39.35.095 - 39.35.680.

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

14 (c) Each eligible member who elects to participate in the defined contribution
15 retirement plan shall have transferred to a new account the present value of the
16 member contribution account balance held in trust for the member under the defined
17 benefit retirement plan of the public employees' retirement system. A matching
18 employer contribution shall be made on behalf of that employee to the new account.
19 Upon a transfer, all service credit previously earned under the defined benefit
20 retirement plan shall be nullified for purposes of entitlement to a future benefit under
21 the defined benefit retirement plan but shall be credited for purposes of eligibility to
22 elect medical benefits under AS 39.35.870. An eligible member whose accounts are
23 subject to a qualified domestic relations order may not make an election to participate
24 in the defined contribution retirement plan under this subsection unless the qualified
25 domestic relations order is amended or vacated and court-certified copies of the order
26 are received by the administrator.

27 (d) As directed by the participant, the board shall transfer or cause to be
28 transferred the appropriate amounts to the designated account. The board shall
29 establish transfer procedures by regulation, but the actual transfer may not be later
30 than 30 days after the effective date of the member's participation in the defined
31 contribution retirement plan unless the major financial markets for securities available

1 for a transfer are seriously disrupted by an unforeseen event that also causes the
2 suspension of trading on any national securities exchange in the country where the
3 securities were issued. In that event, the 30-day period of time may be extended by a
4 resolution of the board of trustees. Transfers are not commissionable or subject to
5 other fees and may be in the form of securities or cash as determined by the board.
6 Securities shall be valued as of the date of receipt in the participant's account.

7 (e) If the board or the administrator receives notification from the United
8 States Department of the Treasury, Internal Revenue Service, that this section or a
9 portion of this section will cause the retirement system under this chapter, or a portion
10 of the retirement system under this chapter, to be disqualified for tax purposes under
11 the Internal Revenue Code, the portion that will cause the disqualification does not
12 apply, and the board and the administrator shall notify the presiding officers of the
13 legislature.

14 (f) The election to participate in the defined contribution retirement plan must
15 be made in writing on forms and in the manner prescribed by the administrator.
16 Before accepting an election to participate in the defined contribution retirement plan,
17 the administrator must provide the employee planning on making an election to
18 participate in the defined contribution retirement plan with information, including
19 calculations to illustrate the effect of moving the employee's retirement plan from the
20 defined benefit retirement plan to the defined contribution retirement plan as well as
21 other information to clearly inform the employee of the potential consequences of the
22 employee's election. An election made under this subsection to participate in the
23 defined contribution retirement plan is irrevocable. Upon making the election, the
24 participant shall be enrolled as a member of the defined contribution retirement plan,
25 the member's participation in the plan shall be governed by the provisions of
26 AS 39.35.700 - 39.35.990, and the member's participation in the defined benefit
27 retirement plan under AS 39.35.115 shall terminate. The participant's enrollment in
28 the defined contribution retirement plan shall be effective the first day of the month
29 after the administrator receives the completed enrollment forms. An election made by
30 an eligible member who is married is not effective unless the election is signed by the
31 individual's spouse.

1 (g) A member may make an election under this section only if the member's
2 employer participates in both the defined benefits retirement plan and the defined
3 contribution retirement plan and consents to transfers under this section. The
4 employer shall notify the administrator if the employer consents to allowing the
5 employer's members to choose to transfer from the defined benefits retirement plan to
6 the defined contribution retirement plan under this section. An employer's notice to
7 allow transfers is irrevocable and applicable to all eligible employees of the employer.

8 (h) In this section,

9 (1) "defined benefit retirement plan" means the retirement plan
10 established in AS 39.35.095 - 39.35.680;

11 (2) "defined contribution retirement plan" means the retirement plan
12 established in AS 39.35.700 - 39.35.990.

13 **Sec. 39.35.950. Request by political subdivision to participate and**
14 **adoption of resolution.** A municipality or other political subdivision of the state may
15 request to become an employer in this plan. The request shall be made after adoption
16 of a resolution by the legislative body of the political subdivision and after approval of
17 the resolution by the person required by law to approve the resolution. A certified
18 copy of the resolution shall be filed with the administrator. If the administrator
19 approves the request for participation, the political subdivision is an employer of the
20 plan.

21 **Sec. 39.35.955. Request by public organization to participate and**
22 **adoption of resolution.** A public organization may request to become an employer in
23 this plan. The request shall be made after adoption of a resolution by the governing
24 body of the public organization. A certified copy of the resolution shall be filed with
25 the administrator. If the administrator approves the request for participation, the
26 public organization is an employer of the plan.

27 **Sec. 39.35.960. Membership in teachers' and public employees'**
28 **retirement systems.** A person who is employed at least half-time in the public
29 employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990) during the
30 same period that the person is employed at least half-time in a position in the teachers'
31 defined contribution retirement plan (AS 14.25.310 - 14.25.590) shall receive credited

1 service under each plan for half-time employment. However, the amount of credited
2 service a person receives under the public employees' defined contribution retirement
3 plan during a school year may not exceed the amount necessary, when added to the
4 amount of credited service earned during the school year under the teachers' defined
5 contribution retirement plan, to equal one year of credited service.

6 **Sec. 39.35.965. Army and air national guard employees.** A regular full-
7 time civilian employee of the Alaska Army National Guard and Air National Guard
8 whose entire salary is paid from allotted federal funds is included in the public
9 employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990) if the
10 federal or state government pays the employer's contributions. If the amount that the
11 federal government may legally contribute to the plan is lower than the required
12 employer's contribution, the state government shall contribute the difference. If the
13 employer's contributions are not paid when due, service credit for the period of
14 delinquency may not be granted until the contributions are paid.

15 **Sec. 39.35.970. North Pacific Fishery Management Council employees.**
16 An employee of the North Pacific Fishery Management Council appointed under 16
17 U.S.C. 1852(f)(1) (Sec. 302(f)(1) of P.L. 94-265) whose compensation is paid from
18 allotted federal funds is included in the public employees' defined contribution
19 retirement plan (AS 39.35.700 - 39.35.990) if the council pays the employer's
20 contributions. If the employer's contributions are not paid when due, credited service
21 for the period of delinquency may not be granted until the contributions are paid.

22 **Sec. 39.35.975. Administrative director of courts.** An administrative
23 director of the Alaska Court System who withdraws from the judicial retirement
24 system under AS 22.25.012 is eligible for membership in the public employees'
25 defined contribution retirement plan (AS 39.35.700 - 39.35.990).

26 **Sec. 39.35.990. Definitions.** In AS 39.35.700 - 39.35.990, unless the context
27 requires otherwise,

28 (1) "administrator" means the commissioner of administration or the
29 commissioner's designee;

30 (2) "alternate payee" means the person for whom an amount has been
31 separated into an account under a qualified domestic relations order;

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

3 (4) "beneficiary" means the person or persons entitled under the
4 provisions of this plan to receive benefits after the death of a member or alternate
5 payee;

6 (5) "board" has the meaning given in AS 39.35.680;

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

8 (7) "compensation"

9 (A) means

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

14 (ii) the member contribution to the public employees'
15 retirement system under AS 39.35.730, employee deferrals under
16 AS 39.45.010, the wage reduction amount contributed to the Alaska
17 Supplemental Annuity Plan under AS 39.30.150(a), and the wage
18 reduction amount contributed to the Alaska Supplemental Benefit Plan
19 under AS 39.30.150(c), as those statutes may be amended from time to
20 time;

21 (B) does not include retirement benefits, severance pay or other
22 separation bonuses, welfare benefits, per diem, expense allowances, workers'
23 compensation payments, payments for leave not used whether those leave
24 payments are scheduled payments, lump-sum payments, donations, or cash-ins,
25 any remuneration contributed by the employer for or on account of the
26 employee under this plan or under any other qualified or nonqualified
27 employee benefit plan, any remuneration not specifically included above
28 which would have been excluded under 26 U.S.C. 3121(a) (Internal Revenue
29 Code) if the employer had remained in the Federal Social Security System, or
30 any remuneration paid by the employer in excess of the Social Security
31 Taxable Wage Base for the calendar year;

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

10 (8) "dependent child" has the meaning given in AS 39.35.680;

11 (9) "distribution commencement date" has the meaning given in
12 AS 39.35.840(a);

13 (10) "employer" means

14 (A) the State of Alaska; or

15 (B) a political subdivision or public organization of the state
16 that participates in the plan;

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

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

23 (13) "Internal Revenue Code" means the Internal Revenue Code of
24 1986, as amended;

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

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

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

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

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

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

10 (20) "peace officer" or "fire fighter" has the meaning given in
11 AS 39.35.680;

12 (21) "plan" means the retirement plan established in AS 39.35.700 -
13 39.35.990;

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

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

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

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

26 (C) sets out the amount or percentage of the member's benefit,
27 or of any survivor's benefit, to be paid to the alternate payee, or sets out the
28 manner in which that amount or percentage is to be determined;

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

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

1 (F) does not require any type or form of benefit or any option
2 not otherwise provided by AS 39.35.700 - 39.35.990;

3 (G) does not require an increase of benefits in excess of the
4 amount provided by AS 39.35.700 - 39.35.990; and

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

8 (24) "retiree" means an eligible person who has elected to receive
9 medical benefits under AS 39.35.880;

10 (25) "surviving spouse" means the spouse of an employee who has
11 been married to the employee for at least one year at the time of the employee's death;

12 (26) "system" has the meaning given in AS 39.35.680;

13 (27) "year of service" means the equivalent of 52 weeks of permanent
14 full-time employment, which may consist of a combination of permanent full-time or
15 permanent part-time membership service; in this paragraph, "permanent full-time" and
16 "permanent part-time" have the meanings given in AS 39.35.680.

17 * Sec. 102. AS 39.45.030(a) is amended to read:

18 (a) The Alaska Retirement Management [STATE PENSION
19 INVESTMENT] Board is authorized, subject to contracts with individual employees,
20 to invest the funds held under a deferred compensation program. The board has the
21 same powers and duties concerning the management and investment in regard to those
22 funds as are provided under AS 37.10.220 [AS 14.25.180].

23 * Sec. 103. AS 39.45.030(g) is amended to read:

24 (g) In this section, "board" means the Alaska Retirement Management
25 [STATE PENSION INVESTMENT] Board.

26 * Sec. 104. AS 39.45.060 is amended by adding a new paragraph to read:

27 (2) "board" means the trustees of the Alaska Retirement Management
28 Board established under AS 37.10.210.

29 * Sec. 105. AS 39.50.200(a)(9) is amended to read:

30 (9) "public official" means

31 (A) a judicial officer;

1 (B) the governor or the lieutenant governor;

2 (C) a person hired or appointed in a department in the
3 executive branch as

4 (i) the head or deputy head of the department;

5 (ii) the director or deputy director of a division;

6 (iii) a special assistant to the head of the department;

7 (iv) a person serving as the legislative liaison for the
8 department;

9 (D) an assistant to the governor or the lieutenant governor;

10 (E) the chair or a member of a state commission or board
11 [OTHER THAN PHYSICIAN MEMBERS OR ALTERNATES OF THE
12 ALASKA TEACHERS' RETIREMENT BOARD APPOINTED UNDER
13 AS 14.25.035(a)(2) OR OF THE PUBLIC EMPLOYEES' RETIREMENT
14 BOARD APPOINTED UNDER AS 39.35.030(d);]

15 (F) state investment officers and the state comptroller in the
16 Department of Revenue;

17 (G) [REPEALED

18 (H)] the chief procurement officer appointed under
19 AS 36.30.010;

20 (H) [(I)] the executive director of the Alaska Workforce
21 Investment Board; and

22 (I) [(J)] each appointed or elected municipal officer;

23 * Sec. 106. AS 39.50.200(b)(54) is amended to read:

24 (54) Alaska Retirement Management [STATE PENSION
25 INVESTMENT] Board (AS 37.10.210);

26 * Sec. 107. AS 44.25.020(2) is amended to read:

27 (2) collect, account for, have custody of, invest, and manage all state
28 funds and all revenues of the state except revenues incidental to a program of licensing
29 and regulation carried on by another state department, funds managed and invested by
30 the Alaska Retirement Management [STATE PENSION INVESTMENT] Board,
31 and as otherwise provided by law;

1 * **Sec. 108.** AS 44.25.028(a) is amended to read:

2 (a) The commissioner of revenue may designate employees of the Department
3 of Revenue who are subject to the provisions of AS 39.50 because of their
4 responsibility for participating in the management or investment of the funds for
5 which the Alaska Retirement Management [STATE PENSION INVESTMENT]
6 Board is responsible.

7 * **Sec. 109.** AS 44.25.028(b) is amended to read:

8 (b) If an officer or employee of the Department of Revenue with responsibility
9 for funds for which the Alaska Retirement Management [STATE PENSION
10 INVESTMENT] Board is responsible acquires, owns, or controls an interest, direct or
11 indirect, in an entity or project in which assets under the control of the board are
12 invested, the officer or employee shall immediately disclose the interest to the board.
13 The disclosure is a matter of public record and shall be included in the minutes of the
14 board meeting next following the disclosure. The commissioner shall adopt
15 regulations to restrict officers and employees of the department from having a
16 substantial interest in an entity or project in which assets under the control of the board
17 are invested.

18 * **Sec. 110.** AS 44.64.030(a) is amended by adding a new paragraph to read:

19 (36) AS 37.10.210 - 37.10.390 (Alaska Retirement Management
20 Board).

21 * **Sec. 111.** AS 14.25.012(a), 14.25.015, 14.25.020, 14.25.022, 14.25.030, 14.25.035,
22 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);
23 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,
24 39.35.080, 39.35.090, 39.35.520(c), 39.35.522(c) 39.35.522(e); AS 39.45.025;
25 AS 39.50.200(b)(23), and 39.50.200(b)(29) are repealed.

26 * **Sec. 112.** AS 14.25.061(c), 14.25.062; and AS 39.35.350 are repealed.

27 * **Sec. 113.** The uncodified law of the State of Alaska is amended by adding a new section
28 to read:

29 **TRANSITION: INITIAL STAGGERED TERMS OF TRUSTEES OF THE**
30 **ALASKA RETIREMENT MANAGEMENT BOARD.** Notwithstanding AS 37.10.210(c), as
31 repealed and reenacted by sec. 42 of this Act, the terms of the initially appointed trustees of

1 the Alaska Retirement Management Board who are not commissioners shall be set by the
2 governor to achieve staggered terms in the manner provided for nine-member boards by
3 AS 39.05.055(7).

4 * Sec. 114. The uncodified law of the State of Alaska is amended by adding a new section
5 to read:

6 TERMS OF MEMBERS OF THE ALASKA TEACHERS' RETIREMENT BOARD,
7 AND THE PUBLIC EMPLOYEES' RETIREMENT BOARD. The terms of all board
8 members appointed to the Alaska Teachers' Retirement Board, and the Public Employees'
9 Retirement Board expire on the effective date of this section.

10 * Sec. 115. The uncodified law of the State of Alaska is amended by adding a new section
11 to read:

12 TERMS OF MEMBERS OF THE ALASKA STATE PENSION INVESTMENT
13 BOARD. The terms of all board members appointed to the Alaska State Pension Investment
14 Board expire on September 30, 2005.

15 * Sec. 116. The uncodified law of the State of Alaska is amended by adding a new section
16 to read:

17 TRANSITION OF DUTIES BETWEEN ALASKA STATE PENSION
18 INVESTMENT BOARD AND THE ALASKA RETIREMENT MANAGEMENT BOARD.

19 (a) After the effective date of this section and until September 30, 2005, the Alaska State
20 Pension Investment Board shall continue to exercise the powers and duties assigned in this
21 Act to the Alaska Retirement Management Board. The Alaska State Pension Investment
22 Board shall take actions to facilitate the transition of duties formerly assigned to the Alaska
23 State Pension Investment Board to the duties assigned in this Act to the Alaska Retirement
24 Management Board. A member of the Alaska Retirement Management Board appointed to
25 serve as a trustee before September 30, 2005, shall be invited to observe and train with the
26 Alaska State Pension Investment Board.

27 (b) The Alaska Retirement Management Board may not assume the duties and
28 responsibilities assigned to the Alaska Retirement Management Board in this Act until
29 October 1, 2005.

30 * Sec. 117. The uncodified law of the State of Alaska is amended by adding a new section
31 to read:

1 TRANSITION. Hearings and other proceedings pending under a law amended or
2 repealed by this Act or in connection with functions transferred by this Act continue in effect
3 and may be continued and completed notwithstanding a transfer or amendment or repeal
4 provided for in this Act. Orders and regulations issued or adopted under authority of a law
5 amended or repealed by this Act remain in effect for the term issued, or until revoked,
6 vacated, or otherwise modified under the provisions of this Act. Contracts, rights, liabilities,
7 and obligations created by or under a law amended or repealed by this Act, and in effect on
8 the effective date of this section, remain in effect notwithstanding this Act's taking effect.
9 Records, equipment, appropriations, funds, and other property of boards or agencies of the
10 state whose functions are transferred under this Act shall be transferred to implement the
11 provisions of this Act.

12 * **Sec. 118.** The uncodified law of the State of Alaska is amended by adding a new section
13 to read:

14 TRANSITION: REGULATIONS. (a) The Department of Administration and the
15 Department of Revenue may proceed to develop and adopt regulations required to implement
16 this Act.

17 (b) Regulations adopted by the Department of Administration and the Department of
18 Revenue under this Act relate to the internal management of a state agency, and the adoption
19 of the regulations is not subject to AS 44.62 (Administrative Procedure Act).

20 * **Sec. 119.** The uncodified law of the State of Alaska is amended by adding a new section
21 to read:

22 REPORT TO THE LEGISLATURE BY ALASKA RETIREMENT MANAGEMENT
23 BOARD. It is the intent of the legislature that there will be a moratorium after the effective
24 date of this Act on legislation affecting all public employees' retirement plans until the Alaska
25 Retirement Management Board can present a report to the legislature containing the board's
26 assessment and recommendations as provided in this section. The Alaska Retirement
27 Management Board shall report to the legislature 120 days after all members are appointed to
28 the board, or 15 days after the first day of the first regular legislative session following the
29 effective date of this section, whichever is first. The report must include the board's

30 (1) preliminary assessment of the financial health of all public employees'
31 retirement plans and all teachers' retirement plans;

- 1 (2) assessment of the actuarial services purchased by the board;
- 2 (3) recommendations for additional legislative or administrative policy to
- 3 improve the financial health of the retirement plans;
- 4 (4) short-term and long-term recommendations for addressing the unfunded
- 5 liability of the retirement plans; and
- 6 (5) recommendations for legislative procedures regarding fiscal notes for new
- 7 legislation affecting the retirement plans.

8 * Sec. 120. The uncodified law of the State of Alaska is amended by adding a new section

9 to read:

10 INSTRUCTION REGARDING ALASKA TEACHERS' RETIREMENT SYSTEM

11 BOARD, ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM BOARD, AND

12 ALASKA STATE PENSION INVESTMENT BOARD. Wherever in the Alaska Statutes and

13 the Alaska Administrative Code the terms "Alaska Teachers' Retirement System Board,"

14 "Alaska Public Employees' Retirement System Board," or "Alaska State Pension Investment

15 Board" are used, they shall be read as "Alaska Retirement Management Board" when to do so

16 would be consistent with the changes made by this Act.

17 * Sec. 121. The uncodified law of the State of Alaska is amended by adding a new section

18 to read:

19 SPECIFIC INSTRUCTIONS TO REVISOR OF STATUTES CONCERNING

20 SPECIFIC REFERENCES. (a) The revisor of statutes shall change references to "this

21 chapter" to "AS 14.25.009 - 14.25.220" in the following statutes: AS 14.25.040(b),

22 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),

23 14.25.105, 14.25.107, 14.25.110(k), 14.25.142, 14.25.150(b), 14.25.153, 14.25.160(h),

24 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

25 in 14.25.220 in each place that the phrase appears.

26 (b) The revisor of statutes shall change the reference to "board" to "administrator" in

27 the following statutes: AS 14.25.075 and 14.25.130(f).

28 (c) The revisor of statutes shall change the reference to "system" to "plan" in the

29 following statutes: AS 14.25.040(b), 14.25.040(c), 14.25.045, 14.25.047, 14.25.055,

30 14.25.060, 14.25.061(a), 14.25.062, 14.25.063(a), 14.25.065, 14.25.070, 14.25.075(c),

31 14.25.075(d), 14.25.075(g), 14.25.075(h), 14.25.075(i), 14.25.100(a), 14.25.105(c),

1 14.25.107, 14.25.110, 14.25.125(c), 14.25.143, 14.25.163, 14.25.165(i), 14.25.167(g),
2 14.25.168, 14.25.169, 14.25.173(a), 14.25.173(d), 14.25.181, 14.25.200, 14.25.210,
3 14.25.220(1), 14.25.220(4), 14.25.220(7), 14.25.220(14), 14.25.220(20), 14.25.220(22),
4 14.25.220(23), 14.25.220(31), 14.25.220(34), 14.25.220(36), 14.25.220(37), 14.25.220(42);
5 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),
6 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),
7 39.35.250, 39.35.280, 39.35.300(c), 39.35.310(a), 39.35.310(c), 39.35.340(a), 39.35.342(a),
8 39.35.342(d), 39.35.345(a), 39.35.345(d), 39.35.360(a), 39.35.360(g), 39.35.360(h),
9 39.35.360(k), 39.35.370(f), 39.35.370(h), 39.35.370(i), 39.35.370(j), 39.35.370(k),
10 39.35.371(i), 39.35.381(b), 39.35.381(g), 39.35.385(c), 39.35.400(e), 39.35.450(g),
11 39.35.475(a), 39.35.475(b), 39.35.475(d), 39.35.500(a), 39.35.505, 39.35.520(a),
12 39.35.520(d), 39.35.522(d), 39.35.527(a), 39.35.527(b), 39.35.530, 39.35.535(a),
13 39.35.535(d), 39.35.550, 39.35.560, 39.35.570, 39.35.580, 39.35.590, 39.35.600, 39.35.610,
14 39.35.620(a), 39.35.620(h), 39.35.650, 39.35.670, 39.35.675(a), 39.35.680(1), 39.35.680(5),
15 39.35.680(9), 39.35.680(12), 39.35.680(15), 39.35.680(16), 39.35.680(17), 39.35.680(20),
16 39.35.680(21)(A), 39.35.680(29), 39.35.680(32), 39.35.680(33), and 39.35.680(35).

17 (d) The revisor of statutes shall change the reference to "board" to "commissioner" in
18 the following statutes: AS 39.35.290, 39.35.522(a), 39.35.522(b), and 39.35.522(d).

19 (e) The revisor of statutes shall change references to "this chapter" to "AS 39.35.095 -
20 39.35.680" in the following statutes: AS 39.35.165, 39.35.200, 39.35.250, 39.35.300,
21 39.35.340, 39.35.350, 39.35.360, 39.35.370, 39.35.371, 39.35.375, 39.35.381, 39.35.480,
22 39.35.490, 39.35.495, 39.35.505, 39.35.530, 39.35.546, 39.35.547, 39.35.615(c),
23 39.35.620(e), 39.35.660, 39.35.675(b), 39.35.677, and 39.35.680.

24 (f) The revisor of statutes shall renumber AS 39.35.690 to follow AS 39.35.990.

25 * Sec. 122. The uncodified law of the State of Alaska is amended by adding a new section
26 to read:

27 IMPLEMENTATION OF SECTIONS 120 and 121 OF THIS ACT. Under
28 AS 01.05.031, the revisor of statutes shall implement secs. 120 and 121 of this Act in the
29 Alaska Statutes, and, under AS 44.62.125(b)(6), the regulations attorney shall implement secs.
30 120 and 121 of this Act in the administrative code.

31 * Sec. 123. Sections 11, 12, 14, 15, 19, 71 - 76, 89, 96, and 112 of this Act take effect

1 June 30, 2010.

2 * Sec. 124. Section 122 of this Act takes effect immediately under AS 01.10.070(c).

3 * Sec. 125. Except as provided in secs. 123 and 124 of this Act, this Act takes effect July 1,

4 2005.

Adopted

4/2/05

24-LS0637F
Craver
3/31/05

CS FOR SENATE BILL NO. 141(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:

Referred:

Sponsor(s): SENATE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

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; establishing the Alaska Retirement Management Board to replace the
 5 Alaska State Pension Investment Board, the Alaska Teachers' Retirement Board, and
 6 the Public Employees' Retirement Board; adding appeals of the decisions of the
 7 administrator of the teachers' and public employees' retirement systems to the
 8 jurisdiction of the office of administrative hearings; and providing for an effective
 9 date."

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

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

12 Article 1. Administration of the Teachers' Retirement System.

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

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

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

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

12 **Sec. 14.25.004. Powers and duties of the administrator.** (a) The
13 administrator shall

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

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

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

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

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

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

23 (7) formulate and recommend to the commissioner of administration
24 regulations to govern the operation of the system,

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

29 (A) a balance sheet;

30 (B) a statement of income and expenditures for the previous
31 fiscal year;

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

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

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

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

11 (10) report to the Legislative Budget and Audit Committee concerning
12 the condition and administration of each plan and distribute the report to the members
13 of each plan in the system;

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

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

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

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

23 (c) The administrator is authorized to contract with public and private entities
24 to provide record keeping, benefit payments, and other functions necessary for the
25 administration of each plan in the system.

26 **Sec. 14.25.005. Regulations.** (a) Regulations adopted by the commissioner
27 of administration under this chapter relate to the internal management of a state
28 agency, and the adoption of the regulations is not subject to AS 44.62 (Administrative
29 Procedure Act).

30 (b) Notwithstanding (a) of this section, a regulation adopted under this chapter
31 shall be published in the Alaska Administrative Register and Code for informational

1 purposes.

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

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

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

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

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

13 (4) furnished to each member of the legislature and to the Legislative
14 Affairs Agency.

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

17 (f) The commissioner of administration may hold a hearing on a proposed
18 regulation.

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

21 (h) Notwithstanding the other provisions of this section, a regulation may be
22 adopted, amended, or repealed, effective immediately, as an emergency regulation by
23 the commissioner of administration. For an emergency regulation to be effective the
24 commissioner must find that the adoption, amendment, or repeal of the regulation is
25 necessary for the immediate preservation of the orderly operation of the system. The
26 commissioner shall, within 10 days after adoption of an emergency regulation, give
27 notice of the adoption under (d) of this section.

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

29 Sec. 14.25.006. Appeals. An employer, member, annuitant, or beneficiary
30 may appeal a decision made by the administrator to the office of administrative
31 hearings established under AS 44.64. An aggrieved party may appeal a final decision

1 to the superior court.

2 Sec. 14.25.007. Investment management of retirement system funds. The
3 Alaska Retirement Management Board established under AS 37.10.210 is the
4 fiduciary of the system funds.

5 Sec. 14.25.008. Definitions. In AS 14.25.001 - 14.24.008,

6 (1) "plan" means the retirement plan established in AS 14.25.009 -
7 14.25.200 or the retirement plan established in AS 14.25.310 - 14.25.590;

8 (2) "system" means all retirement plans established under the teachers'
9 retirement system.

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

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

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

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

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

24 (c) An amendment to AS 14.25.009 - 14.25.220 [THIS CHAPTER] does not
25 provide a person with a vested right to a benefit if the Internal Revenue Service
26 determines that the amendment will result in disqualification of the plan under the
27 Internal Revenue Code.

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

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

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

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

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

5 (a) Unless a teacher or member has elected to participate in the optional
6 university retirement program under AS 14.40.661 - 14.40.799, [OR] has filed an
7 election under AS 14.25.043(b), or has elected to participate in the plan established
8 in AS 14.25.310 - 14.25.590, a teacher or member contracting for service with a
9 participating employer is subject to AS 14.25.009 - 14.25.220 [THIS CHAPTER].

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

11 (d) A person who is employed at least half-time in the plan [SYSTEM] during
12 the same period that the person is employed at least half-time in a position in the
13 public employees' retirement plan [SYSTEM] under AS 39.35.095 - 39.35.680
14 [AS 39.35] shall receive credited service under each plan [SYSTEM] for half-time
15 employment. However, the amount of credited service a person receives under the
16 public employees' retirement plan [SYSTEM] during a school year may not exceed
17 the amount necessary, when added to the amount of credited service earned during the
18 school year under the plan [SYSTEM], to equal one year of credited service. A
19 person who was employed at least half-time in a position in the public employees'
20 retirement plan [SYSTEM] under AS 39.35.095 - 39.35.680 [AS 39.35] in the same
21 period that the person was employed at least half-time in a position in this plan
22 [SYSTEM] may claim credited service in both plans [SYSTEMS] for employment
23 before May 31, 1989. To obtain this credited service, the person shall claim the
24 service and verify the period of half-time employment. When eligibility for half-time
25 service credit has been established, an indebtedness shall be determined to the
26 retirement plan [SYSTEM] in which the person did not participate. The amount of
27 the indebtedness is the full actuarial cost of providing benefits for the credited service
28 claimed. Interest as prescribed by regulation accrues on that indebtedness beginning
29 on the later of July 1, 1989, or the date on which the member is first eligible to claim
30 the service. Any outstanding indebtedness existing at the time the person retires will
31 require an actuarial adjustment to the benefits payable based on that service.

1 * Sec. 7. AS 14.25.050(a) is amended to read:

2 (a) Except as provided in (c) of this section, beginning July 1, 2005
3 [JANUARY 1, 1991], each member shall contribute to the plan a percentage
4 [SYSTEM AN AMOUNT EQUAL TO 8.65 PERCENT] of the member's base salary
5 accrued from July 1 to the following June 30, as determined under AS 14.25.052.
6 The employer shall deduct the contribution from the member's salary at the end of
7 each payroll period, and the contribution shall be credited by the plan [SYSTEM] to
8 the member contribution account. The contributions shall be deducted from employee
9 compensation before the computation of applicable federal taxes and shall be treated
10 as employer contributions under 26 U.S.C. 414(h)(2). A member may not have the
11 option of making the payroll deduction directly in cash instead of having the
12 contribution picked up by the employer.

13 * Sec. 8. AS 14.25 is amended by adding new sections to read:

14 Sec. 14.25.052. Calculation of member contribution rate. (a) Each active
15 member shall contribute a percentage of the member's base salary to be determined
16 annually in advance by the administrator. The member contribution rate is the greater
17 of

18 (1) 8.65 percent; or

19 (2) one-half of the normal cost rate actuarially calculated to fund the
20 benefits expected to be earned by active members during the fiscal year.

21 (b) Notwithstanding (a) of this section, the member contribution rate may not
22 increase more than one-half of a percentage point annually.

23 * Sec. 9. AS 14.25.070 is amended to read:

24 Sec. 14.25.070. Contributions by employer. An employer shall contribute to
25 the plan [SYSTEM] an amount equal to the percentage, as certified by the board
26 [ADMINISTRATOR], of the sum total of the base salaries of all members that is
27 required in addition to member contributions to provide the benefits of AS 14.25.009 -
28 14.25.220 [THIS CHAPTER] times the sum total of the base salaries paid to members,
29 including any adjustments to contributions required by AS 14.25.173(a), by the
30 employer.

31 * Sec. 10. AS 14.25.070 is amended by adding a new subsection to read:

1 (b) When added to the member contribution rate calculated under
2 AS 14.25.052, the employer contribution may not be less than the amount required as
3 actuarially calculated to fully fund the future liabilities of active members.

4 * Sec. 11. AS 14.25.075(a) is amended to read:

5 (a) An employee who is eligible to purchase credited service under
6 AS 14.25.047 or 14.25.048, a member who is eligible to purchase credited service
7 under AS 14.25.048, 14.25.050, 14.25.060, 14.25.061, [14.25.062,] 14.25.100, or
8 14.25.107, or a teacher who is eligible to purchase credited service under
9 AS 14.20.345, AS 14.25.050, [14.25.062,] or 14.25.105, in lieu of making payments
10 directly to the plan, may elect to have the member's employer make payments as
11 provided in this section.

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

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

16 (1) the amounts paid under a salary reduction program are in lieu of
17 contributions by the member making the election; the electing member's salary or
18 other compensation shall be reduced by the amount paid by the employer under this
19 subsection;

20 (2) the member shall make an irrevocable election under this
21 subsection to purchase credited service as permitted in AS 14.20.345, AS 14.25.047,
22 14.25.048, 14.25.050, 14.25.060, 14.25.061, [14.25.062,] 14.25.100, 14.25.105, or
23 14.25.107 before the member's termination of employment; the irrevocable election
24 must specify the number of payroll periods that deductions will be made from the
25 member's compensation and the dollar amount of deductions for each payroll period
26 during the specified number of payroll periods; the deductions made under this
27 paragraph cease upon the earlier of the member's termination of employment with the
28 employer or the member's death; amounts paid by an employer under (f) of this
29 section may not be applied toward the payment of the dollar amount of the deductions
30 representing the portion of the credited service that is being purchased by the member
31 through payroll deduction in accordance with the member's irrevocable election under

1 this paragraph;

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

7 * Sec. 13. AS 14.25.075(e) is amended to read:

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

12 * Sec. 14. AS 14.25.075(f) is amended to read:

13 (f) The administrator may accept rollover contributions from a member [,
14 AND DIRECT TRANSFERS AS DESCRIBED IN THIS SUBSECTION, FOR THE
15 PURCHASE, IN WHOLE OR IN PART, OF FORFEITED CREDITED SERVICE
16 UNDER THIS SECTION FOR THE REINSTATEMENT, IN WHOLE OR IN PART,
17 OF FORFEITED CREDITED SERVICE UNDER AS 14.25.062]. Contributions
18 made under this subsection may not be applied to purchase service being paid under
19 (b) of this section. A rollover contribution [OR TRANSFER] as described in this
20 subsection shall be treated as employer contributions for the purpose of determining
21 tax treatment under the Internal Revenue Code and may be made by any one or a
22 combination of the following methods:

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

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

31 (3) subject to the limitations prescribed in 26 U.S.C. 403(b)(13).

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

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

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

11 * Sec. 15. AS 14.25.075(i) is amended to read:

12 (i) On satisfaction of the eligibility requirements of AS 14.20.345,
13 AS 14.25.047, 14.25.048, 14.25.050, 14.25.060, 14.25.061, [14.25.062.] 14.25.100,
14 14.25.105, or 14.25.107, the requirements of this section, and the administrative filing
15 requirements specified by the administrator, the plan shall adjust the member's
16 credited service history and add any additional service credits acquired.

17 * Sec. 16. AS 14.25.143(b) is amended to read:

18 (b) The increase in benefit payments applies to total benefit payments
19 [EXCEPT FOR THE COST-OF-LIVING ALLOWANCE UNDER AS 14.25.142].
20 The amount of the increase is a percentage of the current benefit equal to

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

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

28 * Sec. 17. AS 14.25.145 is amended to read:

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

1 * Sec. 18. AS 14.25.150 is amended by adding a new subsection to read:

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

4 * Sec. 19. AS 14.25.173(c) is amended to read:

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

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

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

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

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

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

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

31 * Sec. 21. AS 14.25.175(b) is amended to read:

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

6 * Sec. 22. AS 14.25.175(c) is repealed and reenacted to read:

7 (c) A ruling of the commissioner of administration to deny a waiver under (b)
8 of this section may be appealed to the office of administrative hearings.

9 * Sec. 23. AS 14.25.175(d) is amended to read:

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

15 * Sec. 24. AS 14.25.220(2) is amended to read:

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

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

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

27 * Sec. 26. AS 14.25.220(9) is amended to read:

28 (9) "board" means the Alaska Retirement Management [ALASKA
29 TEACHERS' RETIREMENT] Board established under AS 37.10.210 [AS 14 25.035];

30 * Sec. 27. AS 14.25.220(40) is amended to read:

31 (40) "supplemental contribution account" means the account

1 maintained by the plan [SYSTEM] to record the supplemental contributions of each
2 member, including interest and adjustments to the account [IN ACCORDANCE
3 WITH AS 14.25.170];

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

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

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

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

9 **Sec. 14.25.310. Applicability of AS 14.25.310 - 14.25.590.** The provisions of
10 AS 14.25.310 - 14.25.590 apply only to teachers who first become members on or
11 after July 1, 2005.

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

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

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

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

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

29 (b) A teacher who has elected to participate in the optional university
30 retirement program under AS 14.40.661 - 14.40.799 may not participate as a member
31 of the defined contribution retirement plan.

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

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

6 (c) The employer shall deduct the contribution from the member's
7 compensation at the end of each payroll period, and the contribution shall be credited
8 by the administrator to the member's individual account. The contributions shall be
9 deducted from member's compensation before the computation of applicable federal
10 taxes and shall be treated as employer contributions under 26 U.S.C. 414(h)(2). A
11 member may not have the option of making the payroll deduction directly in cash
12 instead of having the contribution picked up by the employer.

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

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

22 **Sec. 14.25.348. Teachers of Alaska Native language and culture.** An
23 employee employed by a participating employer shall participate in the plan if the
24 employee

25 (1) teaches Alaska Native language or culture in a permanent full-time
26 or permanent part-time position;

27 (2) learned about the subject to be taught by living in the culture or
28 using the language in daily life; and

29 (3) is qualified to teach the subject to elementary or secondary students
30 as required by regulations adopted by the Department of Education and Early
31 Development.

1 **Sec. 14.25.350. Contributions by employers.** (a) An employer shall
2 contribute to each member's individual account an amount equal to 3.5 percent of the
3 member's compensation from July 1 to the following June 30.

4 (b) An employer shall also contribute an amount equal to 3.75 percent of each
5 member's compensation from July 1 to the following June 30 to pay for retiree major
6 medical insurance. This contribution shall be paid into the group health and life
7 benefits fund established by the commissioner of administration under AS 39.30.095
8 and shall be accounted for in accordance with regulations established by the
9 commissioner.

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

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

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

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

22 (d) In this section,

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

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

28 (3) "eligible retirement plan" means

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

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

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

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

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

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

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

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

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

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

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

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

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

23 **Sec. 14.25.380. Limitations on contributions.** Notwithstanding any other
24 provisions of this plan, the annual additions to each member's individual account
25 under this plan and under all defined contribution plans of the employer required to be
26 aggregated with the contributions from this plan under the provisions of 26 U.S.C. 415
27 may not exceed, for any limitation year, the amount permitted under 26 U.S.C. 415 at
28 any time. If the amount of a contribution to a member's individual account exceeds
29 the limitation of 26 U.S.C. 415(e) for any limitation year, the administrator shall take
30 any necessary remedial action to correct an excess contribution. The provisions of 26
31 U.S.C. 415, and the regulations adopted under that statute, as applied to qualified

1 defined contribution plans of governmental employees are incorporated as part of the
2 terms and conditions of the plan.

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

5 (b) A member is fully vested in the employer contributions made on that
6 member's behalf, and related earnings, after five years of service. A member is
7 partially vested in the employer contributions made on that member's behalf, and the
8 related earnings, in the ratio of

- 9 (1) 25 percent with two years of service;
- 10 (2) 50 percent with three years of service; and
- 11 (3) 75 percent with four years of service.

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

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

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

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

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

1 participant's account.

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

6 **Sec. 14.25.410. Distribution election at termination.** (a) A member is
7 eligible to elect distribution of the member's account in accordance with this section
8 60 days after termination of employment.

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

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

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

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

24 (4) prevention of the eviction of the member from the member's
25 principal residence or foreclosure on the mortgage of the member's principal
26 residence; or

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

31 (c) If a member dies before benefits commence, the member's beneficiary is

1 immediately eligible to elect distribution of the member's share of the member's
2 individual account.

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

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

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

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

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

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

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

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

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

30 (b) Upon the death of an annuitant whose payments have commenced, an
31 annuitant's beneficiary shall receive further payments only to the extent provided in

1 accordance with the form of payment that was being made to the annuitant. The
2 remaining portion of the interest shall continue to be distributed at least as rapidly as
3 under the method of distribution being used before the annuitant's death.

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

7 (d) If an unmarried member or other participant fails to elect a form of
8 payment before the distribution commencement date, the account shall be paid to a
9 beneficiary in the form of a lump sum to the extent required by the minimum
10 distribution requirements set out in the Internal Revenue Code. If a married member
11 fails to elect a form of payment before the distribution commencement date, the
12 account shall be paid in the form of a 50 percent joint and survivor annuity, with the
13 member's spouse as the joint annuitant.

14 **Sec. 14.25.430. Manner of electing distributions.** (a) Any election or any
15 alteration or revocation of a prior election by a participant for any purpose under this
16 plan shall be on forms or made in a manner prescribed for that purpose by the plan
17 administrator. To be effective, the forms required or the required action for any
18 purpose under this plan must be completed and received in accordance with
19 regulations adopted by the commissioner of administration.

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

- 22 (1) the form of payment election;
23 (2) an election to commence benefits; or
24 (3) the joint annuitant designation.

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

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

- 31 (1) a member meets the requirements of AS 14.25.410 and has made a

1 complete application for payment under AS 14.25.430;

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

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

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

10 (5) notwithstanding (a) of this section, a participant whose account has
11 a balance of \$1,000 or less meets the requirements of AS 14.25.430, at which time the
12 participant must take payment of the participant's account.

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

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

19 (d) If a member has made a distribution election and dies before the
20 distribution of the member's interest begins, distribution of the member's entire interest
21 shall be completed by December 31 of the calendar year containing the fifth
22 anniversary of the member's death. However, if any portion of the member's interest
23 is payable to a designated beneficiary, distributions may be made over the life of the
24 designated beneficiary or over a period certain not greater than the life expectancy of
25 the designated beneficiary, commencing on or before December 31 of the calendar
26 year immediately following the calendar year in which the member died, and, if the
27 designated beneficiary is the member's surviving spouse, the date distributions are
28 required to begin may not be earlier than the later of December 31 of the calendar year
29 (1) immediately following the calendar year in which the member died, or (2) in which
30 the member would have attained 70 1/2 years of age, whichever is earlier. If the
31 surviving spouse dies after the member but before payments to the spouse have begun.

1 the provisions of this subsection apply as if the surviving spouse were the member.
2 An amount paid to a child of the member shall be treated as if it were paid to the
3 surviving spouse if the amount becomes payable to the surviving spouse when the
4 child reaches the age of majority.

5 (e) If a member has not made a distribution election before the member's
6 death, the member's designated beneficiary must elect the method of distribution not
7 later than December 31 of the calendar year (1) in which distributions would be
8 required to begin under this section, or (2) that contains the fifth anniversary of the
9 date of death of the member, whichever is earlier. If the member does not have a
10 designated beneficiary or if the designated beneficiary does not elect a method of
11 distribution, distribution of the member's entire interest must be completed by
12 December 31 of the calendar year containing the fifth anniversary of the member's
13 death.

14 (f) For purposes of (b) of this section, distribution of a member's interest is
15 considered to begin (1) on the member's required beginning date, or (2) if the
16 designated beneficiary is the member's surviving spouse and the surviving spouse dies
17 after the member but before payments to the spouse have begun, on the date
18 distribution is required to begin to the surviving spouse. If distribution in the form of
19 an annuity irrevocably commences to the member before the required beginning date,
20 the date distribution is considered to begin is the date that the distribution actually
21 commences.

22 (g) Notwithstanding any contrary provisions of AS 14.25.310 - 14.25.590, if
23 requirements of this section apply to all distributions of a member's interest and take
24 precedence over any inconsistent provisions of AS 14.25.310 - 14.25.590.

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

28 (i) In this section,

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

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

4 Sec. 14.25.450. Designation of beneficiary. (a) Each participant shall have
5 the right to designate a beneficiary and shall have the right, at any time, to revoke the
6 designation or to substitute another beneficiary, subject to the following limitation: if
7 a married member elects a nonspouse beneficiary, the value of the benefit payable to
8 the beneficiary may not exceed 50 percent of the member's portion of the account
9 balance, and the member's spouse shall automatically be considered the beneficiary for
10 the remaining 50 percent of the account balance, unless the spouse consents to the
11 beneficiary designation in a writing that is notarized or witnessed by the administrator.
12 If the spouse consents in this manner, a married member may designate a nonspouse
13 beneficiary for the entire benefit or any portion of the benefit as part of an available
14 form of payment contained in this plan,

15 (1) except to the extent a qualified domestic relations order filed with
16 the administrator provides for payment to a former spouse or other dependent of the
17 member; or

18 (2) unless the member filed a revocation of beneficiary accompanied
19 by a written consent to the revocation from the present spouse and each person entitled
20 under the order; however, consent of the present spouse is not required if the member
21 and the present spouse had been married for less than one year on the date of the
22 member's death and if the member established when filing the revocation that the
23 member and the present spouse were not cohabiting.

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

31 (c) If a member fails to designate a beneficiary, or if no designated beneficiary

1 survives the member, the death benefit shall be paid

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

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

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

7 (4) to the estate.

8 (d) A person claiming entitlement to benefits payable under AS 14.25.310 -
9 14.25.590 as a consequence of a member's death shall provide the administrator with a
10 marriage certificate, divorce or dissolution judgment, or other evidence of entitlement.
11 Documents establishing entitlement may be filed with the administrator immediately
12 after a change in the member's marital status. If the administrator does not receive
13 notification of a claim before the date 10 days after the member's death, the person
14 claiming entitlement is not entitled to receive from the division of retirement and
15 benefits any benefit already paid by the administrator.

16 **Sec. 14.25.460. Rights under qualified domestic relations order.** (a)
17 Notwithstanding the nonalienation provisions in AS 14.25.500(a), the administrator
18 may direct that benefits be paid to someone other than a member or beneficiary under
19 a valid qualified domestic relations order that is executed by the judge of a competent
20 court in accordance with applicable state law and that has been accepted by the
21 administrator.

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

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

30 (1) has at least 30 years of service, or

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

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

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

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

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

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

15 Sec. 14.25.480. Medical benefits. (a) The medical benefits available to
16 eligible persons are access to the retiree major medical insurance plan and to the
17 health reimbursement arrangement under AS 39.30.300. Access to the retiree major
18 medical insurance plan means that an eligible person may not be denied insurance
19 coverage except for failure to pay the required premium.

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

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

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

30 (e) The coverage for persons 65 years of age or older is the same as that
31 available for persons under 65 years of age. The benefits payable to those persons 65

1 years of age or older supplement any benefits provided under the federal old age,
2 survivors and disability insurance program.

3 (f) The medical and optional insurance premiums owed by the person who
4 elects coverage may be deducted from the health reimbursement arrangement. If the
5 amount of the health reimbursement arrangement becomes insufficient to pay the
6 premiums, the person who elects coverage under (a) of this section shall pay the
7 premiums directly.

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

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

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

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

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

18 (C) 20 percent if the member had 20 or more, but less than 25,
19 years of service;

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

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

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

27 (i) A person who is entitled to retiree major medical insurance coverage shall
28 (1) be informed by the administrator in writing

29 (A) that the health insurance coverage available to retired
30 members may be different from the health insurance coverage provided to
31 employees;

1 (B) of time limits for selecting optional health insurance
2 coverage and whether the election is irrevocable; and

3 (2) indicate in writing on a form provided by the administrator that the
4 person has received the information required by this subsection and whether the
5 person has chosen to receive optional health insurance coverage.

6 (j) The monthly group premiums for retiree major medical insurance coverage
7 are established by the administrator in accordance with AS 39.30.095. Nothing in
8 AS 14.25.310 - 14.25.590 guarantees a person who elects coverage under (a) of this
9 section a monthly group premium rate for retiree major medical insurance coverage
10 other than the premium in effect for the month in which the premium is due for
11 coverage for that month.

12 (k) In this section, "health reimbursement arrangement" means the plan
13 established in AS 39.30.300.

14 **Sec. 14.25.490. Amendment and termination of plan.** (a) The state has the
15 right to amend the plan at any time and from time to time, in whole or in part,
16 including the right to make retroactive amendments referred to in 26 U.S.C. 401(b).

17 (b) The plan administrator may not modify or amend the plan retroactively in
18 such a manner as to reduce the benefits of any member accrued to date under the plan
19 by reason of contributions made before the modification or amendment except to the
20 extent that the reduction is permitted by the Internal Revenue Code.

21 (c) The state may, in its discretion, terminate the plan in whole or part at any
22 time without liability for the termination. If the plan is terminated, all investments
23 remain in force until all individual accounts have been completely distributed under
24 the plan, and, after all plan liabilities are satisfied, excess assets revert to the employer.

25 (d) Any contribution made by an employer to the plan because of a mistake of
26 fact must be returned to the employer by the administrator within one year after the
27 contribution or discovery, whichever is later.

28 **Sec. 14.25.500. Exclusive benefit.** (a) The corpus or income of the assets
29 held in trust as required by the plan may not be diverted or used for other than the
30 exclusive benefit of the participants.

31 (b) If plan benefits are provided through the distribution of annuity or

1 insurance contracts, any refunds or credits in excess of plan benefits due to dividends,
2 earnings, or other experience rating credits, or surrender or cancellation credits, shall
3 be paid to the trust fund.

4 (c) The assets of the plan may not be used to pay premiums or contributions of
5 the employer under another plan maintained by the employer.

6 **Sec. 14.25.510. Nonguarantee of returns, rates, or benefit amounts.** The
7 plan created by AS 14.25.310 - 14.25.590 is a defined contribution plan, not a defined
8 benefit plan. The amount of money in the account of a participant depends on the
9 amount of contributions and the rate of return from investments of the account that
10 varies over time. If benefits are paid in the form of an annuity, the benefit amount
11 payable is dependent on the amount of money in the account and the interest rates
12 applied and service fees charged by the annuity payor at the time benefits are first
13 paid. Nothing in this plan guarantees a participant

14 (1) a rate of return or interest rate other than that actually earned by the
15 account of the participant, less applicable administrative expenses; or

16 (2) an annuity based on interest rates or service charges other than
17 interest rates available from and service charges by the annuity payor in effect at the
18 time the annuity is paid.

19 **Sec. 14.25.520. Nonguarantee of employment.** The provisions of
20 AS 14.25.310 - 14.25.590 are not a contract of employment between an employer and
21 an employee, nor do they confer a right of an employee to be continued in the
22 employment of an employer, nor are they a limitation of the right of an employer to
23 discharge an employee with or without cause.

24 **Sec. 14.25.530. Fraud.** A person who knowingly makes a false statement or
25 falsifies or permits to be falsified a record of this plan in an attempt to defraud the plan
26 is guilty of a class A misdemeanor.

27 **Sec. 14.25.590. Definitions.** In AS 14.25.310 - 14.25.590, unless the context
28 requires otherwise,

29 (1) "administrator" has the meaning given in AS 14.25.220;

30 (2) "alternate payee" means a person entitled to a portion of the
31 distribution from an individual account under a qualified domestic relations order;

1 (3) "annuitant" means a member, beneficiary or alternate payee who is
2 receiving a benefit under this plan;

3 (4) "beneficiary" means the person or persons entitled to receive
4 benefits that may be due from the plan upon the death of the member or alternate
5 payee;

6 (5) "board" has the meaning given in AS 14.25.220;

7 (6) "calendar year" has the meaning given in AS 39.35.680;

8 (7) "compensation"

9 (A) means

10 (i) the total remuneration earned by an employee for
11 personal services rendered, including cost-of-living differentials, as
12 reported on the employee's Federal Income Tax Withholding Statement
13 (Form W-2) from the employer for the calendar year;

14 (ii) the member contribution to the teachers' retirement
15 system under AS 14.25.340;

16 (B) does not include retirement benefits, severance pay or other
17 separation bonuses, welfare benefits, per diem, expense allowances, workers'
18 compensation payments, payments for leave not used whether those leave
19 payments are scheduled payments, lump-sum payments, donations, or cash-ins,
20 any remuneration contributed by the employer for or on account of the
21 employee under this plan or under any other qualified or nonqualified
22 employee benefit plan, any remuneration not specifically included above
23 which would have been excluded under 26 U.S.C. 3121(a) (Internal Revenue
24 Code) if the employer had remained in the Federal Social Security System, or
25 any remuneration paid by the employer in excess of the Social Security
26 Taxable Wage Base for the calendar year;

27 (C) notwithstanding (B) of this paragraph, includes any amount
28 that is contributed by the employer under a salary reduction agreement and that
29 is not includible in the gross income of the employee under 26 U.S.C. 125,
30 132(l)(4), 402(e)(3), 402(h)(1)(B) or 403(b) (Internal Revenue Code); the
31 annual compensation limitation for the member, which is so taken into account

1 for those purposes, may not exceed \$200,000, as adjusted for the cost of living
2 in accordance with 26 U.S.C. 401(a)(17)(B) (Internal Revenue Code), with the
3 limitation for a fiscal year being the limitation in effect for the calendar year
4 within which the fiscal year begins;

5 (8) "dependent child" has the meaning given in AS 14.25.220;

6 (9) "distribution commencement date" has the meaning given in
7 AS 14.25.440(a);

8 (10) "employer" means a public school district, the Board of Regents
9 of the University of Alaska, the Department of Education and Early Development, or
10 the regional resource centers;

11 (11) "fund" means the assets of the plan;

12 (12) "individual account" means the total maintained by the plan in an
13 investment account within the trust fund, established for each member for the purposes
14 of allocation of the member's contributions, employer contributions on behalf of the
15 member, and earnings credited to each of those contributions, investment gains and
16 losses, and expenses, as well as reporting of the member's benefit under the plan;

17 (13) "Internal Revenue Code" has the meaning given in AS 14.25.220;

18 (14) "investment funds" means those separate funds that are provided
19 within and that make up the trust fund and that are established for the purpose of
20 directing investment through the exercise of the sole control of a member, beneficiary,
21 or alternate payee under the terms of the plan and trust agreement;

22 (15) "limitation year" means the year for which contributions are made
23 to a member's individual account as reported to the Internal Revenue Service under the
24 limits described in 26 U.S.C. 415(c);

25 (16) "member" means an employee of an employer or a former
26 employee of an employer who retains a right to benefits under the plan;

27 (17) "membership service" means full-time or part-time employment
28 with an employer in the plan;

29 (18) "normal retirement age" means 65 years of age;

30 (19) "participant" means the person who has a vested right to an
31 individual account, such as a member, an alternate payee if the account is subject to a

1 qualified domestic relations order, the member's beneficiary if the member is
2 deceased, or an alternate payee's beneficiary if the alternate payee is deceased;

3 (20) "plan" means the retirement benefit plan established under
4 AS 14.25.310 - 14.25.590;

5 (21) "prudent investment standard" means the degree of care, skill,
6 prudence, and diligence under the circumstances then prevailing that a prudent person
7 acting in a like capacity and familiar with such matters would use in the conduct of an
8 enterprise of a like character and with like aims;

9 (22) "qualified domestic relations order" means a divorce or
10 dissolution judgment under AS 25.24, including an order approving a property
11 settlement, that

12 (A) creates or recognizes the existence of an alternate payee's
13 right to, or assigns to an alternate payee the right to, receive all or a portion of
14 the individual account, or the benefits payable with respect to a member;

15 (B) sets out the name and last known mailing address, if any, of
16 the member and of each alternate payee covered by the order;

17 (C) sets out the amount or percentage of the member's benefit,
18 or of any survivor's benefit, to be paid to the alternate payee, or sets out the
19 manner in which that amount or percentage is to be determined;

20 (D) sets out the number of payments or period to which the
21 order applies;

22 (E) sets out the retirement plan to which the order applies;

23 (F) does not require any type or form of benefit or any option
24 not otherwise provided by AS 14.25.310 - 14.25.590;

25 (G) does not require an increase of benefits in excess of the
26 amount provided by AS 14.25.310 - 14.25.590, determined on the basis of
27 actuarial value; and

28 (H) does not require the payment, to an alternate payee, of
29 benefits that are required to be paid to another alternate payee under another
30 order previously determined to be a qualified domestic relations order;

31 (23) "retiree" means an eligible person who has elected to receive the

1 medical benefits under AS 14.25.480;

2 (24) "retirement fund" or "fund" means the fund in which the assets of
3 the plan, including income and interest derived from the investment of money, are
4 deposited and held;

5 (25) "school year" has the meaning given in AS 14.25.220;

6 (26) "system" has the meaning given in AS 14.25.220;

7 (27) "teacher" and "member" are used interchangeably under
8 AS 14.25.310 - 14.25.590 and mean a person eligible to participate in the plan and
9 who is covered by the plan, limited to

10 (A) a certificated full-time or part-time elementary or
11 secondary teacher, a certificated school nurse, or a certificated person in a
12 position requiring a teaching certificate as a condition of employment in a
13 public school of the state, the Department of Education and Early
14 Development, or the Department of Labor and Workforce Development;

15 (B) a full-time or part-time teacher of the University of Alaska
16 or a person occupying a full-time administrative position at the University of
17 Alaska that requires academic standing; the approval of the administrator must
18 be obtained before an administrative position qualifies for membership in the
19 plan; however, a teacher or administrative person at the university who is
20 participating in the optional university retirement program under AS 14.40.661
21 - 14.40.799 is not a member under this plan;

22 (28) "year of service" means service during the dates set for the school
23 year; partial-year service credit is given for membership service as follows:

24 (A) during any school year,

25 (i) less than nine days, no credit;

26 (ii) nine days or more but less than 27 days, 0.1 years;

27 (iii) 27 days or more but less than 45 days, 0.2 years;

28 (iv) 45 days or more but less than 63 days, 0.3 years;

29 (v) 63 days or more but less than 81 days, 0.4 years;

30 (vi) 81 days or more but less than 100 days, 0.5 years;

31 (vii) 100 days or more but less than 118 days, 0.6 years;

- 1 (viii) 118 days or more but less than 136 days, 0.7
2 years;
3 (ix) 136 days or more but less than 154 days, 0.8 years;
4 (x) 154 days or more but less than 172 days, 0.9 years;
5 (xi) 172 days or more, 1.0 years;
6 (B) service performed on a part-time basis of half time or more
7 shall be credited in proportion to the amount of credit that would have been
8 received for service performed on a full-time basis.

9 * Sec. 30. AS 14.40.280(c) is amended to read:

10 (c) Except as provided by (b) of this section, the monetary gifts, bequests, or
11 endowments that are made to the University of Alaska shall be managed and invested
12 by the Board of Regents. In carrying out its management and investment
13 responsibilities under this subsection, the Board of Regents has the same power and
14 obligations to carry out duties with respect to the endowments of the University of
15 Alaska as are provided to and required of the Alaska Retirement Management
16 [STATE PENSION INVESTMENT] Board under AS 37.10.210 [AS 14.25.180].

17 * Sec. 31. AS 14.40.400(b) is amended to read:

18 (b) The Board of Regents is the fiduciary of the fund. The Board of Regents
19 shall account for and invest the fund. In carrying out its investment responsibilities
20 under this subsection, the Board of Regents has the same powers and duties with
21 respect to the fund as are provided to and required of the Alaska Retirement
22 Management [STATE PENSION INVESTMENT] Board under AS 37.10.210
23 [AS 14.25.180].

24 * Sec. 32. AS 14.40.671(c) is amended to read:

25 (c) An employee whose rights to transfer assets out of a state retirement
26 system are subject to a qualified domestic relations order is entitled to transfer assets
27 from the state retirement system to the program only if the requirements for receiving
28 a refund under AS 14.25.150(b), 14.25.390, [OR] AS 39.35.200(c), or 39.35.760, as
29 appropriate, are met.

30 * Sec. 33. AS 22.25.048(c) is amended to read:

31 (c) The Alaska Retirement Management [STATE PENSION

1 INVESTMENT] Board is the fiduciary of the fund and has the same powers and
2 duties under this section in regard to the judicial retirement trust fund as are provided
3 in AS 37.10.210 [AS 14.25.180].

4 * Sec. 34. AS 22.25.900(1) is amended to read:

5 (1) "actuarial equivalent" means the adjustment necessary to obtain
6 equality in value of the aggregate expected payments under two different forms of
7 pension payments, considering expected mortality and interest earnings on the basis of
8 assumptions, factors, and methods specified in regulations issued under the system
9 that are formally adopted [UNDER AS 22.25.027] by the Alaska Retirement
10 Management Board [COMMISSIONER OF ADMINISTRATION] that clearly
11 preclude employer discretion in the determination of the amount of any justice's,
12 judge's, or member's benefit;

13 * Sec. 35. AS 26.05.226(a) is amended to read:

14 (a) The Department of Military and Veterans' Affairs shall contribute to the
15 Alaska National Guard and Alaska Naval Militia retirement system the amounts
16 determined by the Alaska Retirement Management Board [COMMISSIONER OF
17 ADMINISTRATION] as necessary to

18 (1) fund the system based on the actuarial requirements of the system
19 as established by the Alaska Retirement Management Board [COMMISSIONER
20 OF ADMINISTRATION]; and

21 (2) administer the system.

22 * Sec. 36. AS 26.05.228(c) is amended to read:

23 (c) The Alaska Retirement Management [STATE PENSION
24 INVESTMENT] Board is the fiduciary of the fund and has the same powers and
25 duties under this section in regard to the fund as are provided under AS 37.10.220
26 [AS 14.25.180].

27 * Sec. 37. AS 36.30.015(f) is amended to read:

28 (f) The board of directors of the Alaska Housing Finance Corporation,
29 notwithstanding AS 18.56.088, and the board of directors of the Knik Arm Bridge and
30 Toll Authority under AS 19.75.111, shall adopt regulations under AS 44.62
31 (Administrative Procedure Act) and the board of trustees of the Alaska Retirement

1 Management [STATE PENSION INVESTMENT] Board shall adopt regulations
2 under AS 37.10.240 to govern the procurement of supplies, services, professional
3 services, and construction for the respective public corporation and board. The
4 regulations must reflect competitive bidding principles and provide vendors
5 reasonable and equitable opportunities to participate in the procurement process and
6 must include procurement methods to meet emergency and extraordinary
7 circumstances. Notwithstanding the other provisions of this subsection, the Alaska
8 Housing Finance Corporation, the Knik Arm Bridge and Toll Authority, and the
9 Alaska Retirement Management [STATE PENSION INVESTMENT] Board shall
10 comply with AS 36.30.170(b).

11 * Sec. 38. AS 36.30.990(1) is amended to read:

12 (1) "agency"

13 (A) means a department, institution, board, commission,
14 division, authority, public corporation, the Alaska Pioneers' Home, the Alaska
15 Veterans' Home, or other administrative unit of the executive branch of state
16 government;

17 (B) does not include

18 (i) the University of Alaska;

19 (ii) the Alaska Railroad Corporation;

20 (iii) the Alaska Housing Finance Corporation;

21 (iv) a regional Native housing authority created under
22 AS 18.55.996 or a regional electrical authority created under
23 AS 18.57.020;

24 (v) the Department of Transportation and Public
25 Facilities, in regard to the repair, maintenance, and reconstruction of
26 vessels, dock ing facilities, and passenger and vehicle transfer facilities
27 of the Alaska marine highway system;

28 (vi) the Alaska Aerospace Development Corporation;

29 (vii) the Alaska Retirement Management [STATE
30 PENSION INVESTMENT] Board;

31 (viii) the Alaska Seafood Marketing Institute;

1 * Sec. 39. AS 37.10.071(d) is amended to read:

2 (d) In exercising investment, custodial, or depository powers or duties under
3 this section, the fiduciary or the fiduciary's designee is liable for a breach of a duty
4 that is assigned or delegated under this section, or under [AS 14.25.180,
5 AS 14.40.255, 14.40.280(c), 14.40.400(b), AS 37.10.070, AS 37.14.110(c), 37.14.160,
6 or 37.14.170 [, OR AS 39.35.080]. However, the fiduciary or the designee is not
7 liable for a breach of a duty that has been delegated to another person if the delegation
8 is prudent under the applicable standard of prudence set out in statute or if the duty is
9 assigned by law to another person, except to the extent that the fiduciary or designee

10 (1) knowingly participates in, or knowingly undertakes to conceal, an
11 act or omission of another person knowing that the act or omission is a breach of that
12 person's duties under this chapter;

13 (2) by failure to comply with this section in the administration of
14 specific responsibilities, enables another person to commit a breach of duty; or

15 (3) has knowledge of a breach of duty by another person, unless the
16 fiduciary or designee makes reasonable efforts under the circumstances to remedy the
17 breach.

18 * Sec. 40. AS 37.10.071(f) is amended to read:

19 (f) In this section, "fiduciary of a state fund" or "fiduciary" means

20 (1) the commissioner of revenue for investments under AS 37.10.070;

21 or

22 (2) with respect to the Alaska Retirement Management [STATE
23 PENSION INVESTMENT] Board, for investments of the collective funds that it
24 manages and administers [UNDER OR SUBJECT TO AS 14.25.180],

25 (A) each trustee who serves on the board of trustees; and

26 (B) any other person who exercises control or authority with
27 respect to management or disposition of assets for which the board is
28 responsible or who gives investment advice to the board; or

29 (3) the person or body provided by law to manage the investments for
30 investments not subject to [AS 14.25.180 OR] AS 37.10.070.

31 * Sec. 41. AS 37.10.210 is repealed and reenacted to read:

1 Sec. 37.10.210. Alaska Retirement Management Board. (a) The Alaska
2 Retirement Management Board is established in the Department of Revenue. The
3 board's primary mission is to serve as the trustee of the assets of the state's retirement
4 systems, the State of Alaska Supplemental Annuity Plan, and the deferred
5 compensation program for state employees. Consistent with standards of prudence,
6 the board has the fiduciary obligation to manage and invest these assets in a manner
7 that is sufficient to meet the liabilities and pension obligations of the systems, plan,
8 and program. The board may, with the approval of the commissioner of revenue and
9 upon agreement with the responsible fiduciary, manage and invest other state funds so
10 long as the activity does not interfere with the board's primary mission. In making
11 investments, the board shall exercise the powers and duties of a fiduciary of a state
12 fund under AS 37.10.071.

13 (b) The Alaska Retirement Management Board consists of nine trustees. The
14 commissioner of administration and the commissioner of revenue shall serve on the
15 board. The governor shall appoint seven additional trustees who meet the eligibility
16 requirements for an Alaska permanent fund dividend and who are professionally
17 credentialed or have recognized competence in investment management, finance,
18 banking, economics, accounting, pension administration, or actuarial analysis as
19 follows:

20 (1) three trustees shall be appointed from the general public; a trustee
21 appointed under this paragraph may not hold another state office, position, or
22 employment and may not be a member or beneficiary of a retirement system managed
23 by the board;

24 (2) one trustee shall be employed as a finance officer for a political
25 subdivision participating in the public employees' retirement system;

26 (3) one trustee shall be employed as a finance officer for a political
27 subdivision participating in the teachers' retirement system;

28 (4) one trustee shall be a member of the public employees' retirement
29 system;

30 (5) one trustee shall be a member of the teachers' retirement system.

31 (c) The trustees, other than the two commissioners, shall serve for staggered

1 terms of three years and may be reappointed to the board for a total of three
2 consecutive terms. A person who has served three consecutive terms may not be
3 reappointed to the board for at least one year.

4 (d) The governor may, by written notice to the trustee, remove a trustee for
5 cause. After a trustee receives written notice of removal, the trustee may not
6 participate in board business and may not be counted for purposes of establishing a
7 quorum.

8 (e) A vacancy on the board of trustees shall be promptly filled. A person
9 filling a vacancy holds office for the balance of the unexpired term of the person's
10 predecessor, and the balance of the unexpired term served is not included in the three-
11 term limitation under (c) of this section. A vacancy on the board does not impair the
12 authority of a quorum of the board to exercise all the powers and perform all the duties
13 of the board.

14 (f) Five trustees constitute a quorum for the transaction of business and the
15 exercise of the powers and duties of the board.

16 (g) A trustee may not designate another person to serve on the board in the
17 absence of the trustee.

18 (h) The board shall provide annual training to its members on the duties and
19 powers of a fiduciary of a state fund and other training as necessary to keep the
20 members of the board educated about pension management and investment.

21 (i) The board shall elect a trustee to serve as chair and a trustee to serve as
22 vice-chair for one-year terms. A trustee may be reelected to serve additional terms as
23 chair or vice-chair.

24 * Sec. 42. AS 37.10 is amended by adding a new section to read:

25 Sec. 37.10.215. Attorney general. The attorney general is the legal counsel
26 for the board and shall advise the board and represent it in a legal proceeding.

27 * Sec. 43. AS 37.10.220 is repealed and reenacted to read:

28 Sec. 37.10.220. Powers and duties of the board. (a) The board shall

29 (1) hold regular and special meetings at the call of the chair or of at
30 least five members; meetings are open to the public, and the board shall keep a full
31 record of all its proceedings;

1 (2) after reviewing recommendations from the Department of
2 Revenue, adopt investment policies for each of the funds entrusted to the board;

3 (3) determine the appropriate investment objectives for the defined
4 benefit plans established under the teachers' retirement system under AS 14.25 and the
5 public employees' retirement system under AS 39.35;

6 (4) provide a range of investment options and establish the rules by
7 which participants can direct their investments among those options with respect to
8 accounts established under

9 (A) AS 14.25.340 and 14.25.350 (teachers' retirement system
10 defined contribution individual accounts);

11 (B) AS 39.30.150 - 39.30.180 (State of Alaska Supplementary
12 Annuity Plan);

13 (C) AS 39.35.730 - 39.35.750 (public employees' retirement
14 system defined contribution individual accounts); and

15 (D) AS 39.45.010 - 39.45.060 (public employees' deferred
16 compensation program);

17 (5) establish the rate of interest that shall be annually credited to each
18 member's individual contribution account in accordance with AS 14.25.145 and
19 AS 39.35.100 and the rate of interest that shall be annually credited to each member's
20 account in the health reimbursement arrangement plan under AS 39.30.300 -
21 39.30.495; the rate of interest shall be adopted on the basis of the probable effective
22 rate of interest on a long-term basis, and the rate may be changed from time to time;

23 (6) adopt a contribution surcharge as necessary under AS 39.35.160(c);

24 (7) coordinate with the retirement system administrator to have an
25 annual actuarial valuation of each retirement system prepared to determine system
26 assets, accrued liabilities, and funding ratios and to certify to the appropriate
27 budgetary authority of each employer in the system

28 (A) an appropriate contribution rate for normal costs; and

29 (B) an appropriate contribution rate for liquidating any past
30 service liability;

31 (8) review actuarial assumptions prepared and certified by a member

1 of the American Academy of Actuaries and conduct experience analyses of the
2 retirement systems not less than once every four years, except for health cost
3 assumptions, which shall be reviewed annually;

4 (9) contract for an independent audit of the state's actuary not less than
5 once every four years;

6 (10) contract for an independent audit of the state's performance
7 consultant not less than once every four years;

8 (11) obtain an external performance review to evaluate the investment
9 policies of each fund entrusted to the board and report the results of the review to the
10 appropriate fund fiduciary;

11 (12) by the first day of each regular legislative session, report to the
12 governor, the legislature, and the individual employers participating in the state's
13 retirement systems on the financial condition of the systems in regard to

14 (A) the valuation of trust fund assets and liabilities;

15 (B) current investment policies adopted by the board;

16 (C) a summary of assets held in trust listed by the categories of
17 investment;

18 (D) the income and expenditures for the previous fiscal year;

19 (E) the return projections for the next calendar year;

20 (F) one-year, three-year, five-year, and 10-year investment
21 performance for each of the funds entrusted to the board; and

22 (G) other statistical data necessary for a proper understanding
23 of the financial status of the systems;

24 (14) submit quarterly updates of the investment performance reports to
25 the Legislative Budget and Audit Committee; and

26 (15) develop an annual operating budget.

27 (b) The board may

28 (1) employ outside investment advisors to review investment policies;

29 (2) enter into an agreement with the fiduciary of another state fund in
30 order to assume the management and investment of those assets;

31 (3) contract for other services necessary to execute the board's powers

1 and duties;

2 (4) enter into confidentiality agreements that would exempt records
3 from AS 40.25.110 and 40.25.120 if the records contain information that could affect
4 the value of investment by the board or that could impair the ability of the board to
5 acquire, maintain, or dispose of investments.

6 (c) Expenses for the board and the operations of the board shall be paid from
7 the retirement fund.

8 * Sec. 44. AS 37.10.250 is amended to read:

9 **Sec. 37.10.250. Compensation of trustees.** Trustees, other than trustees who
10 are employees of the state, [OR] a political subdivision of the state, or a school
11 district or regional educational attendance area in the state, receive an honorarium
12 of \$150 for each day spent at a meeting of the board or at a meeting of a subcommittee
13 of the board or at a public meeting as a representative of the board, including a day in
14 which a trustee travels to or from a meeting. Trustees who are state employees are
15 entitled to administrative leave for service as a trustee. Trustees who are employees of
16 a political subdivision of the state or a school district or regional educational
17 attendance area in the state are entitled to leave benefits provided by their employers
18 comparable to those provided to state employees for service as a trustee. Trustees are
19 entitled to per diem and travel expenses authorized for boards and commissions under
20 AS 39.20.180.

21 * Sec. 45. AS 37.10.270(a) is amended to read:

22 (a) The board may [SHALL] appoint an investment advisory council
23 composed of at least three and not more than five members. Members of the council
24 shall possess experience and expertise in financial investments and management of
25 investment portfolios for public, corporate, or union pension benefit funds,
26 foundations, or endowments.

27 * Sec. 46. AS 37.10.390 is amended to read:

28 **Sec. 37.10.390. Definitions.** In AS 37.10.210 - 37.10.390, unless the context
29 otherwise requires,

30 (1) "board" means the board of trustees of the Alaska Retirement
31 Management [STATE PENSION INVESTMENT] Board;

1 (2) "retirement systems" or "systems" means the teachers' retirement
2 system, the judicial retirement system, the Alaska National Guard and Alaska Naval
3 Militia retirement system, [AND] the public employees' retirement system, the State
4 of Alaska teachers' and public employees' retiree health reimbursement
5 arrangement plan, and the elected public officers' retirement system under
6 former AS 39.37.

7 * Sec. 47. AS 37.10.390 is amended by adding a new paragraph to read:

8 (3) "fund" means the fund or funds composed of the assets of each of
9 the retirement systems administered and managed by the board.

10 * Sec. 48. AS 37.14.160 is amended to read:

11 **Sec. 37.14.160. Duties of the commissioner of revenue.** The commissioner
12 of revenue is the treasurer of the trust fund created in AS 37.14.110 and shall

13 (1) in carrying out investment duties under this section, exercise the
14 same powers and duties established for the Alaska Retirement Management [STATE
15 PENSION INVESTMENT] Board in AS 37.10.210 [AS 14.25.180(c)];

16 (2) deposit the principal and income from investments in separate
17 principal and income accounts for the fund;

18 (3) invest and maintain accounting records that distinguish between the
19 principal and income of the fund;

20 (4) provide reports to the board established under AS 37.14.120 on the
21 condition and investment performance of the fund.

22 * Sec. 49. AS 37.14.210(4) is amended to read:

23 (4) invest and reinvest the assets of the trust 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. 50. AS 37.14.520(4) is amended to read:

27 (4) invest and reinvest the assets of the fund as provided in this section
28 and as provided for the investment of funds under [AS 14.25.180(c) AND]
29 AS 37.14.170;

30 * Sec. 51. AS 37.14.610 is amended to read:

31 **Sec. 37.14.610. Duties of the commissioner.** The commissioner of revenue

1 has the power and duty to

2 (1) act as official custodian of the cash and investments belonging to
3 the Arctic Winter Games Team Alaska trust by securing adequate and safe custodial
4 facilities;

5 (2) exercise the same powers and duties as those established for the
6 Alaska Retirement Management [STATE PENSION INVESTMENT] Board in
7 AS 37.10.210 [AS 14.25.180(b) AND (c)];

8 (3) invest the assets of the trust in a manner likely to yield at least five
9 percent real rate of return over time;

10 (4) maintain accounting records of the trust in accordance with
11 investment accounting principles;

12 (5) enter into and enforce contracts or agreements considered
13 necessary for the investment purposes of the trust;

14 (6) report annually to the board of directors of the Arctic Winter
15 Games Team Alaska the condition and performance of the trust;

16 (7) monitor use of trust money by the Arctic Winter Games Team
17 Alaska; and

18 (8) do all acts that the commissioner of revenue considers necessary or
19 proper in administering the assets of the trust.

20 * Sec. 52. AS 39.30.090(a) is amended to read:

21 (a) The Department of Administration may obtain a policy or policies of group
22 insurance covering state employees, persons entitled to coverage under AS 14.25.168,
23 14.25.480, AS 22.25.090, AS 39.35.535, 39.35.880, or former AS 39.37.145,
24 employees of other participating governmental units, or persons entitled to coverage
25 under AS 23.15.136, subject to the following conditions:

26 (1) A group insurance policy shall provide one or more of the
27 following benefits: life insurance, accidental death and dismemberment insurance,
28 weekly indemnity insurance, hospital expense insurance, surgical expense insurance,
29 dental expense insurance, audiovisual insurance, or other medical care insurance.

30 (2) Each eligible employee of the state, the spouse and the unmarried
31 children chiefly dependent on the eligible employee for support, and each eligible

1 employee of another participating governmental unit shall be covered by the group
2 policy, unless exempt under regulations adopted by the commissioner of
3 administration.

4 (3) A governmental unit may participate under a group policy if

5 (A) its governing body adopts a resolution authorizing
6 participation, and payment of required premiums;

7 (B) a certified copy of the resolution is filed with the
8 Department of Administration; and

9 (C) the commissioner of administration approves the
10 participation in writing.

11 (4) In procuring a policy of group health or group life insurance as
12 provided under this section or excess loss insurance as provided in AS 39.30.091, the
13 Department of Administration shall comply with the dual choice requirements of
14 AS 21.86.310, and shall obtain the insurance policy from an insurer authorized to
15 transact business in the state under AS 21.09, a hospital or medical service corporation
16 authorized to transact business in this state under AS 21.87, or a health maintenance
17 organization authorized to operate in this state under AS 21.86. An excess loss
18 insurance policy may be obtained from a life or health insurer authorized to transact
19 business in this state under AS 21.09 or from a hospital or medical service corporation
20 authorized to transact business in this state under AS 21.87.

21 (5) The Department of Administration shall make available bid
22 specifications for desired insurance benefits or for administration of benefit claims and
23 payments to (A) all insurance carriers authorized to transact business in this state
24 under AS 21.09 and all hospital or medical service corporations authorized to transact
25 business under AS 21.87 who are qualified to provide the desired benefits; and (B) to
26 insurance carriers authorized to transact business in this state under AS 21.09, hospital
27 or medical service corporations authorized to transact business under AS 21.87, and
28 third-party administrators licensed to transact business in this state and qualified to
29 provide administrative services. The specifications shall be made available at least
30 once every five years. The lowest responsible bid submitted by an insurance carrier,
31 hospital or medical service corporation, or third-party administrator with adequate

1 servicing facilities shall govern selection of a carrier, hospital or medical service
2 corporation, or third-party administrator under this section or the selection of an
3 insurance carrier or a hospital or medical service corporation to provide excess loss
4 insurance as provided in AS 39.30.091.

5 (6) If the aggregate of dividends payable under the group insurance
6 policy exceeds the governmental unit's share of the premium, the excess shall be
7 applied by the governmental unit for the sole benefit of the employees.

8 (7) A person receiving benefits under AS 14.25.110, AS 22.25,
9 AS 39.35, or former AS 39.37 may continue the life insurance coverage that was in
10 effect under this section at the time of termination of employment with the state or
11 participating governmental unit.

12 (8) A person electing to have insurance under (7) of this subsection
13 shall pay the cost of this insurance.

14 (9) For each permanent part-time employee electing coverage under
15 this section, the state shall contribute one-half the state contribution rate for permanent
16 full-time state employees, and the permanent part-time employee shall contribute the
17 other one-half.

18 (10) A person receiving benefits under AS 14.25, AS 22.25, AS 39.35,
19 or former AS 39.37 may obtain auditory, visual, and dental insurance for that person
20 and eligible dependents under this section. The level of coverage for persons over 65
21 shall be the same as that available before reaching age 65 except that the benefits
22 payable shall be supplemental to any benefits provided under the federal old age,
23 survivors, and disability insurance program. A person electing to have insurance
24 under this paragraph shall pay the cost of the insurance. The commissioner of
25 administration shall adopt regulations implementing this paragraph.

26 (11) A person receiving benefits under AS 14.25, AS 22.25, AS 39.35,
27 or former AS 39.37 may obtain long-term care insurance for that person and eligible
28 dependents under this section. A person who elects insurance under this paragraph
29 shall pay the cost of the insurance premium. The commissioner of administration
30 shall adopt regulations to implement this paragraph.

31 (12) Each licensee holding a current operating agreement for a vending

1 facility under AS 23.15.010 - 23.15.210 shall be covered by the group policy that
2 applies to governmental units other than the state.

3 * Sec. 53. AS 39.30.095(d) is amended to read:

4 (d) If the commissioner of administration determines that there is more money
5 in the fund than the amount needed to pay premiums, benefits, and administrative
6 costs for the current fiscal year, the surplus, or so much of it as the commissioner of
7 administration considers advisable, may be invested by the commissioner of revenue
8 in the same manner as retirement funds are invested under AS 37.10.210
9 [AS 14.25.180].

10 * Sec. 54. AS 39.30.150(b) is amended to read:

11 (b) Employees of the division of marine transportation included in
12 AS 39.35.095 - 39.35.680 [THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM]
13 through the process of collective bargaining under AS 39.35.680(21)(D) may, under
14 the terms of a collective bargaining agreement, utilize contributions made under (a) of
15 this section on their behalf to offset the costs of inclusion in the public employees'
16 retirement system; however,

17 (1) the state is placed under no obligation to continue making
18 contributions under this section if the state resumes participation in the federal social
19 security system;

20 (2) the bargaining agreement must provide a mechanism for satisfying
21 any residual liabilities that might exist if the state resumes participation in the federal
22 social security system; and

23 (3) funds contributed under (a) of this section on behalf of employees
24 who are not covered by maritime union contracts may not be obligated or expended to
25 pay any costs associated with the inclusion of marine transportation employees in
26 AS 39.35.095 - 39.35.680 [THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM].

27 * Sec. 55. AS 39.30 is amended by adding a new section to read:

28 Sec. 39.30.151. Administrator. The commissioner of administration or the
29 commissioner's designee is the administrator of the system.

30 * Sec. 56. AS 39.30 is amended by adding a new section to read:

31 Sec. 39.30.154. Powers and duties of the administrator. The administrator

1 has the same powers and duties with regard to the plan as those set out in
2 AS 14.25.004.

3 * Sec. 57. AS 39.30.155 is repealed and reenacted to read:

4 Sec. 39.30.155. **Management and investment of fund.** The Alaska
5 Retirement Management Board is the fiduciary of the fund and has the same powers
6 and duties under this section in regard to the fund as are provided under AS 37.10.210.

7 * Sec. 58. AS 39.30.160(a) is amended to read:

8 (a) The Department of Administration shall, in accordance with policies
9 prescribed by regulations of the Alaska Retirement Management [PUBLIC
10 EMPLOYEES RETIREMENT] Board, provide to employees for whom special
11 individual employee benefit accounts are established under AS 39.30.150 the
12 following benefit options:

- 13 (1) supplemental health benefits; [,]
- 14 (2) supplemental death benefits; [,]
- 15 (3) supplemental disability benefits; [,] and
- 16 (4) supplemental dependent care benefits.

17 * Sec. 59. AS 39.30.160(e) is amended to read:

18 (e) Regulations adopted by the board [PUBLIC EMPLOYEES
19 RETIREMENT BOARD] implementing AS 39.30.150 and this section are not subject
20 to AS 44.62 (Administrative Procedure Act).

21 * Sec. 60. AS 39.30.175(a) is amended to read:

22 (a) The board [ALASKA STATE PENSION INVESTMENT BOARD] is the
23 fiduciary of the mandatory receipts, under AS 39.30.150(a), of the employee benefits
24 program established under AS 39.30.150 - 39.30.180 and has the same powers and
25 duties concerning the management and investment in regard to those receipts as are
26 provided under AS 37.10.210 [AS 14.25.180].

27 * Sec. 61. AS 39.30.180 is amended by adding a new paragraph to read:

28 (3) "board" means the board of trustees of the Alaska Retirement
29 Management Board established under AS 37.10.210.

30 * Sec. 62. AS 39.30 is amended by adding new sections to read:

31 **Article 5. State of Alaska Teachers' and Public Employees' Retiree Health**

Reimbursement Arrangement Plan.

1
2 **Sec. 39.30.300. State of Alaska Teachers' and Public Employees' Retiree**
3 **Health Reimbursement Arrangement Plan established.** The State of Alaska
4 Teachers' and Public Employees' Retiree Health Reimbursement Arrangement Plan is
5 established for teachers who first become members of the defined contribution plan of
6 the teachers' retirement system under AS 14.25.310 - 14.25.590 on or after July 1,
7 2005, and employees of the state, political subdivisions of the state, and public
8 organizations of the state who first become members of the defined contribution plan
9 of the public employees' retirement system under AS 39.35.700 - 39.35.990 on or after
10 July 1, 2005.

11 **Sec. 39.30.310. Purpose and effective date.** (a) The purpose of the plan is to
12 allow medical care expenses to be reimbursed from individual savings accounts
13 established for eligible persons.

14 (b) The plan becomes effective July 1, 2005, at which time contributions by
15 employers begin.

16 **Sec. 39.30.320. Attorney general.** The attorney general of the state is the
17 legal counsel for the plan and shall advise the administrator and represent the plan in a
18 legal proceeding.

19 **Sec. 39.30.330. Administrator.** The commissioner of administration or the
20 commissioner's designee is the administrator of the plan.

21 **Sec. 39.30.340. Powers and duties of the administrator.** The administrator
22 shall establish a teachers' and public employees' retiree health reimbursement
23 arrangement plan trust fund in which the assets of the plan shall be deposited and held.
24 The administrator has the same powers and duties with regard to the plan and the trust
25 fund as provided in AS 14.25.004.

26 **Sec. 39.30.350. Employer contribution fund.** The fund established under
27 AS 39.30.340 is an employer contribution fund. The value of the fund reflects
28 employer contributions, expenses, and investment gains and losses. Employee
29 contributions to the fund are not permitted.

30 **Sec. 39.30.360. Management and investment of the fund.** The Alaska
31 Retirement Management Board is the fiduciary of the fund and has the same powers

1 and duties under this section in regard to the fund as are provided under AS 37.10.220.

2 **Sec. 39.30.370. Contributions by employers.** For each member of the plan,
3 an employer shall contribute to the teachers' and public employees' retiree health
4 reimbursement arrangement plan trust fund an amount equal to one percent of the
5 employer's average annual employee compensation, not to exceed \$500 a member a
6 year. The administrator shall maintain a record for each member to account for
7 employer contributions on behalf of that member. The board shall establish by
8 regulation the rate of interest to be applied annually to the amount in a member's
9 individual account.

10 **Sec. 39.30.380. Termination of employment.** A person who terminates
11 employment before application and eligibility for normal retirement loses any right to
12 the contributions made on behalf of the person to the teachers' and public employees'
13 retiree health reimbursement arrangement trust fund. If a person returns to
14 employment with the same employer within five years after the date of termination
15 and if the employer is still a participating employer, the person's account balance shall
16 be restored in the amount recorded on the date of termination from the trust, without
17 interest or other adjustment.

18 **Sec. 39.30.390. Eligibility and reimbursement.** Persons who meet the
19 eligibility requirements of AS 14.25.470 and AS 39.35.870 are eligible for
20 reimbursements from the individual account established for a member under the plan.

21 **Sec. 39.30.400. Benefits payable from the individual account.** (a) The
22 administrator may deduct the cost of monthly premiums from the individual account
23 for retiree major medical insurance on behalf of an eligible person who elected retiree
24 major medical insurance under AS 14.25.480 or AS 39.35.880.

25 (b) Upon application of an eligible person, the administrator shall reimburse to
26 the eligible person the costs for medical care expenses as defined in 26 U.S.C. 213(d).
27 Reimbursement is limited to the medical expenses of

28 (1) an eligible member, the spouse of an eligible member, and the
29 dependent children of an eligible member; or

30 (2) a surviving spouse and the dependent children of an eligible
31 member dependent on the surviving spouse.

1 (c) When the member's individual account balance is exhausted, the insurance
2 premium deductions under (a) of this section and the reimbursement of medical care
3 expenses under (b) of this section end.

4 (d) If all eligible persons die before exhausting the member's individual
5 account, the account balance shall revert to the plan.

6 **Sec. 39.30.410. Exemption from taxation and process.** (a) Contributions
7 and other amounts held in the plan on behalf of a member or other person who is or
8 may become eligible for benefits under the plan may be used only to reimburse
9 eligible medical expenses, are exempt from Alaska state and municipal taxes and
10 federal taxes to the extent allowed under the Internal Revenue Code, and are not
11 subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or
12 charge of any kind, either voluntary or involuntary, before they are received by the
13 person entitled to the amount under the terms of the plan. Any attempt to anticipate,
14 alienate, sell, transfer, assign, pledge, encumber, charge, or otherwise dispose of any
15 right to amounts accrued in the plan is void. However, a member's right to receive
16 benefits may be assigned

17 (1) under a qualified domestic relations order; or

18 (2) to a trust or similar legal device that meets the requirements for a
19 Medicaid-qualifying trust under AS 47.07.020(f) and 42 U.S.C. 1396r(d)(4).

20 (b) Notwithstanding AS 09.38.065, contributions and other amounts held in
21 the plan and benefits payable under this plan are exempt from garnishment, execution,
22 or levy.

23 **Sec. 39.30.420. Amendment and termination of plan.** (a) The state has the
24 right to amend the plan at any time and from time to time, in whole or in part,
25 including the right to make retroactive amendments referred to in 26 U.S.C. 401(b).

26 (b) The plan administrator may not modify or amend the plan retroactively in
27 such a manner as to reduce the benefits of any member accrued to date under the plan
28 by reason of contributions made before the modification or amendment except to the
29 extent that the reduction is permitted by the Internal Revenue Code.

30 (c) The state may, in its discretion, terminate the plan in whole or part at any
31 time without liability for the termination. If the plan is terminated, all investments

1 remain in force until all individual accounts have been completely distributed under
2 the plan, and, after all plan liabilities are satisfied, excess assets revert to the employer.

3 (d) Any contribution made by an employer to the plan because of a mistake of
4 fact must be returned to the employer by the administrator within one year after the
5 contribution or discovery, whichever is later.

6 Sec. 39.30.430. Exclusive benefit. (a) The corpus or income of the assets
7 held in trust as required by the plan may not be diverted or used for other than the
8 exclusive benefit of the participants.

9 (b) The assets of the plan may not be used to pay premiums or contributions of
10 the employer under another plan maintained by the employer.

11 Sec. 39.30.495. Definitions. Unless the context requires otherwise, in
12 AS 39.30.300 - 39.30.495

13 (1) "administrator" means the commissioner of administration or the
14 commissioner's designee;

15 (2) "board" means the Alaska Retirement Management Board
16 established under AS 37.10.210;

17 (3) "compensation" has the meaning given in AS 14.25.590;

18 (4) "eligible person" means a person who meets the eligibility
19 requirements of AS 14.25.470 or AS 39.35.870;

20 (5) "dependent child" has the meaning given in AS 39.35.680;

21 (6) "employer" has the meaning given in AS 14.25.590 for employers
22 of teachers in the defined contribution plan established in AS 14.25.310 - 14.25.590
23 and has the meaning given in AS 39.35.990 for employers of public employees in the
24 defined contribution plan established in AS 39.35.700 - 39.35.990;

25 (7) "fund" means the assets of the teachers' and public employees'
26 retiree health reimbursement arrangement plan trust fund;

27 (8) "individual account" means the record established by the
28 administrator for individual employees under the teachers' and public employees'
29 retiree health reimbursement arrangement plan;

30 (9) "member" means a member of the defined contribution plan of the
31 teachers' retirement system in AS 14.25.310 - 14.25.590 or a member of the public

1 employees' retirement system in AS 39.35.700 - 39.35.990;

2 (10) "plan" means the State of Alaska Teachers' and Public Employees'
3 Retiree Health Reimbursement Arrangement Plan established in AS 39.30.300;

4 (11) "qualified domestic relations order" has the meaning given in
5 AS 14.25.220.

6 * Sec. 63. AS 39.35 is amended by adding new sections to read:

7 **Article 1. Administration of the Public Employees' Retirement System of Alaska.**

8 **Sec. 39.35.001. Purpose.** The purpose of this chapter is to encourage
9 qualified personnel to enter and remain in service with participating employers by
10 establishing plans for the payment of retirement, disability, and death benefits to or on
11 behalf of the members.

12 **Sec. 39.35.002. Attorney general.** The attorney general of the state is the
13 legal counsel for the system and shall advise the administrator and represent the
14 system in a legal proceeding.

15 **Sec. 39.35.003. Administrator.** (a) The commissioner of administration or
16 the commissioner's designee is the administrator of the system.

17 (b) The commissioner of administration shall adopt regulations to govern the
18 operation of the system.

19 **Sec. 39.35.004. Powers and duties of the administrator.** (a) The
20 administrator shall

21 (1) establish and maintain an adequate system of accounts;

22 (2) transmit the funds deposited in the system to the retirement fund
23 established and maintained by the Alaska Retirement Management Board;

24 (3) approve or disapprove claims for retirement benefits;

25 (4) make payments for the various purposes specified;

26 (5) submit periodic reports or statements of account that are needed;

27 (6) issue a statement of account to an employee not less than once each
28 year showing the amount of the employee's contributions to the applicable plan in the
29 system;

30 (7) formulate and recommend to the commissioner of administration
31 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 year;

7 (C) a report on valuation of trust fund assets;

8 (D) a summary of assets held in the trust fund listed by the
9 categories of investment, as provided by the Alaska Retirement Management
10 Board;

11 (E) other statistical financial data that are necessary for proper
12 understanding of the financial condition of the system as a whole and each plan
13 in the system and the result of its operations;

14 (9) engage an independent certified public accountant to conduct an
15 annual audit of each plan's accounts and the annual report of the system's financial
16 condition and activity;

17 (10) report to the Legislative Budget and Audit Committee concerning
18 the condition and administration of each plan and distribute the report to the members
19 of each plan in the system;

20 (11) publish an information handbook for each plan in the system at
21 intervals that the administrator considers appropriate; and

22 (12) meet at least annually with the board to review the condition and
23 management of the retirement systems and to review significant changes to policies,
24 regulations or benefits;

25 (13) do whatever else may be necessary to carry out the purposes of
26 each plan in the system.

27 (b) The administrator is authorized to charge uniform fees to members'
28 accounts to cover the ongoing cost of operating each plan in the system.

29 (c) The administrator is authorized to contract with public and private entities
30 to provide record keeping, benefits payments, and other functions necessary for the
31 administration of each plan in the system.

1 Sec. 39.35.005. Regulations. (a) Regulations adopted by the commissioner
2 of administration under this chapter relate to the internal management of state
3 agencies, and the adoption of these regulations is not subject to AS 44.62
4 (Administrative Procedure Act).

5 (b) Notwithstanding (a) of this section, a regulation adopted under this chapter
6 shall be published in the Alaska Administrative Register and Code for informational
7 purposes.

8 (c) Each regulation adopted under this chapter must conform to the style and
9 format requirements of the drafting manual for administrative regulations that is
10 published under AS 44.62.050.

11 (d) At least 30 days before the adoption, amendment, or repeal of a regulation
12 under this chapter, the commissioner shall provide notice of the action that is being
13 considered. The notice shall be

14 (1) posted in public buildings throughout the state;

15 (2) published in one or more newspapers of general circulation in each
16 judicial district of the state;

17 (3) mailed to each person or group that has filed a request for notice of
18 proposed action with the commissioner; and

19 (4) furnished to each member of the legislature and to the Legislative
20 Affairs Agency.

21 (e) Failure to mail notice to a person as required under (d)(3) of this section
22 does not invalidate an action taken by the commissioner.

23 (f) The commissioner may hold a public hearing on a proposed regulation.

24 (g) A regulation adopted under this chapter takes effect 30 days after adoption
25 by the commissioner.

26 (h) Notwithstanding the other provisions of this section, a regulation may be
27 adopted, amended, or repealed, effective immediately, as an emergency regulation by
28 the commissioner. For an emergency regulation to be effective the commissioner
29 must find that the adoption, amendment, or repeal of the regulation is necessary for the
30 immediate preservation of the orderly operation of the system. The commissioner
31 shall, within 10 days after adoption of an emergency regulation, give notice of the

1 adoption under (d) of this section.

2 (i) In this section, "regulation" has the meaning given in AS 44.62.640(a).

3 **Sec. 39.35.006. Appeals.** An employer, member, annuitant, or beneficiary
4 may appeal a decision made by the administrator to the office of administrative
5 hearings established under AS 44.64. An aggrieved party may appeal a final decision
6 to the superior court.

7 **Sec. 39.35.007. Investment management of retirement system funds.** The
8 Alaska Retirement Management Board established under 37.10.210 is the fiduciary of
9 the system funds.

10 **Sec. 39.35.008. Definitions.** In AS 39.35.001 - 39.35.008,

11 (1) "commissioner" means the commissioner of administration;

12 (2) "plan" means the retirement plan established in AS 39.35.095 -
13 39.35.680 or the retirement plan established in AS 39.35.700 - 39.35.990;

14 (3) "system" means all retirement plans established under the public
15 employees' retirement system.

16 * **Sec. 64.** AS 39.35 is amended by adding a new section to read:

17 **Article 2. Public Employees First Hired before July 1, 2005.**

18 **Sec. 39.35.095. Applicability of AS 39.35.095 - 39.35.680 to employees first**
19 **hired before July 1, 2005.** The following provisions of this chapter apply only to
20 members first hired before July 1, 2005: AS 39.35.095 - 39.35.680.

21 * **Sec. 65.** AS 39.35.100 is amended to read:

22 **Sec. 39.35.100. Accounting.** (a) The commissioner of administration shall
23 establish and maintain an adequate system of accounts and records for the plan
24 [SYSTEM]. The accounts and records shall be integrated with the accounts, records,
25 and procedures of the employers to the end that they operate most effectively and at
26 minimum expense, and that duplication of records and accounts is avoided.

27 (b) All income of the pension fund and all disbursements made by the fund
28 shall be credited or charged, whichever is appropriate, to the following accounts:

29 (1) An individual account shall be maintained for each employee to
30 record the amount of the employee's mandatory contributions collected under
31 AS 39.35.160(a). As of the last day of each calendar year and each fiscal year

1 beginning with June 30, 1969, this account shall be credited with interest, by applying
2 [ONE HALF OF] the prescribed rate of interest as determined by the board to the
3 balance in the account as of that date. Within one year following retirement, the
4 amount actuarially determined as necessary to fully fund the benefits to be received
5 shall be transferred first from the employee contribution account and, after the
6 employee contribution account has been exhausted, then from the employer
7 contribution account into the retirement reserve account.

8 (2) An individual account shall be maintained for each employee to
9 record the amount of the employee's voluntary contributions. As of the last day of
10 each calendar year and each fiscal year beginning with June 30, 1969, this account
11 shall be credited with interest, by applying [ONE HALF OF] the prescribed rate of
12 interest as determined by the board to the balance in the account as of that date.
13 Amounts that, before termination of employment, are withdrawn by an employee from
14 the employee's savings account shall be charged to that account. Upon retirement, the
15 amount actuarially determined as necessary to fully fund the benefits to be received
16 shall be transferred first from the employee savings account and, after the employee
17 savings account has been exhausted, then from the employer contribution account into
18 the retirement reserve account.

19 (3) A separate account for each employer shall be maintained. The
20 account shall be credited with contributions of the employer. This account shall be
21 charged with the employer's actuarial charge for pension, death benefits, and other
22 benefits paid under this plan [SYSTEM] to or on behalf of the employee of the
23 employer. After an allowance for interest credited to employee contribution accounts
24 and employee savings accounts, the investment income of the pension fund shall be
25 allocated to the retirement reserve account and to each employer asset share account
26 according to the ratio that the average of the assets in the account as of the beginning
27 and as of the end of the fiscal year bears to the total of the average balance of the
28 retirement reserve account and all employer accounts.

29 (4) An expense account shall be maintained for the plan [SYSTEM].
30 This account shall be charged with all disbursements representing administrative
31 expenses incurred by the plan [SYSTEM]. At the end of the year the expense account

1 shall be allocated to each employer in accordance with (3) of this subsection.
2 Expenditures from this account shall be included in the governor's budget for each
3 fiscal year and are subject to approval by the legislature.

4 * Sec. 66. AS 39.35 is amended by adding a new section to article 1 to read:

5 Sec. 39.35.115. **Defined benefit retirement plan.** (a) A defined benefit
6 retirement plan for employees of the state, political subdivisions, and public
7 organizations is created. The plan becomes effective January 1, 1961, at which time
8 contributions by the employers and members begin.

9 (b) The retirement plan established by AS 39.35.095 - 39.35.680 is intended to
10 qualify under 26 U.S.C. 401(a) and 414(d) (Internal Revenue Code) as a qualified
11 retirement plan established and maintained by the state for its employees and for the
12 employees of political subdivisions, public corporations, and public organizations of
13 the state, and for the employees of other employers whose participation is authorized
14 by AS 39.35.095 - 39.35.680 and who participate in this plan.

15 (c) An amendment to AS 39.35.095 - 39.35.680 does not provide a person
16 with a vested right to a benefit if the Internal Revenue Service determines that the
17 amendment will result in disqualification of the plan under the Internal Revenue Code.

18 * Sec. 67. AS 39.35.131 is amended to read:

19 Sec. 39.35.131. **Membership in teachers' and public employees'**
20 **retirement systems.** (a) A person who is employed at least half-time in the plan
21 [SYSTEM] during the same period that the person is employed at least half-time in a
22 position in the teachers' retirement plan [SYSTEM] under AS 14.25.009 - 14.25.220
23 [AS 14.25] shall receive credited service under each plan [SYSTEM] for half-time
24 employment. However, the amount of credited service a person receives under the
25 plan [SYSTEM] during a school year may not exceed the amount necessary, when
26 added to the amount of credited service earned during the school year under the
27 teachers' retirement system, to equal one year of credited service.

28 (b) A person who was employed at least half-time in a position in the teachers'
29 retirement plan [SYSTEM] under AS 14.25.009 - 14.25.220 [AS 14.25] in the same
30 period that the person was employed at least half-time in a position in this plan
31 [SYSTEM] may claim credited service in both plan [SYSTEMS] for employment

1 before May 31, 1989. To obtain this credited service, the person shall claim the
2 service and verify the period of half-time employment. When eligibility for half-time
3 service credit has been established, an indebtedness shall be determined to the
4 retirement plan [SYSTEM] in which the person did not participate. The amount of
5 the indebtedness is the full actuarial cost of providing benefits for the credited service
6 claimed. Interest as prescribed by regulation accrues on that indebtedness beginning
7 on the later of July 1, 1989, or the date on which the member is first eligible to claim
8 the service. Any outstanding indebtedness existing at the time the person retires will
9 require an actuarial adjustment to the benefits payable based on that service.

10 * Sec. 68. AS 39.35.158 is amended to read:

11 Sec. 39.35.158. Administrative director of courts. An administrative
12 director of the Alaska court system who withdraws from the judicial retirement system
13 under AS 22.25.012 is eligible for membership in the plan [SYSTEM] and shall
14 receive credited service in the plan [SYSTEM] for service rendered as administrative
15 director. To be eligible for membership in the plan [SYSTEM] under this subsection,
16 the administrative director must contribute to the plan [SYSTEM]

17 (1) the amount the director would have contributed if the director had
18 been a member during the director's period of membership in the judicial retirement
19 system; and

20 (2) any contributions for services as administrative director refunded
21 by the plan [SYSTEM] at the time the director became a member of the judicial
22 retirement system.

23 * Sec. 69. AS 39.35.160(a) is amended to read:

24 (a) Beginning July 1, 2005 [JANUARY 1, 1987], each peace officer or fire
25 fighter shall contribute to the plan a percentage [SYSTEM AN AMOUNT EQUAL
26 TO SEVEN AND ONE-HALF PERCENT] of the peace officer's or fire fighter's
27 compensation as determined under AS 39.35.162. Except as provided in (d) of this
28 section, beginning July 1, 2005 [JANUARY 1, 1987], each other employee shall
29 contribute to the system a percentage [AN AMOUNT EQUAL TO SIX AND
30 THREE-QUARTERS PERCENT] of the employee's compensation as determined
31 under AS 39.35.162. The contributions shall be deducted by the employer at the end

1 of each payroll period. The contributions shall be deducted from employee
2 compensation before computation of applicable federal taxes, and the contributions
3 shall be treated as employer contributions under 26 U.S.C. 414(h)(2). A member may
4 not have the option of making the payroll deduction directly instead of having the
5 contribution picked up by the employer.

6 * **Sec. 70.** AS 39.35 is amended by adding new sections to read:

7 **Sec. 39.35.162. Calculation of employee contribution rate.** (a) Each peace
8 officer or fire fighter shall contribute a percentage of the peace officer's or fire fighter's
9 compensation to be determined annually in advance by the administrator. Each other
10 employee shall contribute a percentage of the employee's compensation to be
11 determined annually in advance by the administrator. The employee contribution rate
12 is the greater of

13 (1) 7.5 percent for a peace officer or fire fighter;

14 (2) 6.75 percent for each other employee; or

15 (3) one-half of the normal cost rate actuarially calculated to fund the
16 benefits expected to be earned by active members during the fiscal year.

17 (b) The normal cost rate for peace officers or fire fighters and the employee
18 contribution rate for other employees shall be separately calculated based on the
19 actuarially calculated costs for each group of employees.

20 (c) Notwithstanding (a) of this section, the employee contribution rate may not
21 increase more than one-half of a percentage point annually.

22 * **Sec. 71.** AS 39.35.165(a) is amended to read:

23 (a) An employee who is eligible to purchase credited service under
24 AS 39.35.310, 39.35.330, 39.35.340, 39.35.342, 39.35.345, [39.35.350,] 39.35.360, or
25 39.35.370, a member who is eligible to purchase credited service under AS 39.35.375,
26 or an elected public official who is eligible to purchase credited service under
27 AS 39.35.381 is an employee for purposes of this section. An employee may, in lieu
28 of making payments directly to the plan, elect to have the employee's employer make
29 payments as provided in this section.

30 * **Sec. 72.** AS 39.35.165(b) is amended to read:

31 (b) An employee may elect to have the employer make payments for all or any

1 portion of the amounts payable for the employee's purchase of credited service
2 through a salary reduction program as follows:

3 (1) the amounts paid under a salary reduction program are in lieu of
4 contributions by the employee making the election; the electing employee's salary or
5 other compensation shall be reduced by the amount paid by the employer under this
6 subsection;

7 (2) the employee shall make an irrevocable election under this section
8 to purchase credited service as permitted in AS 39.35.310, 39.35.330, 39.35.340,
9 39.35.342, 39.35.345, [39.35.350,] 39.35.360, 39.35.370, 39.35.375, or 39.35.381 and
10 before the employee's termination of employment; the irrevocable election must
11 specify the number of payroll periods that deductions will be made from the
12 employee's compensation and the dollar amount of deductions for each payroll period
13 during the specified number of payroll periods; the deductions made under this
14 paragraph cease upon the earlier of the member's termination of employment with the
15 employer or the member's death; amounts paid by an employer under (f) of this
16 section may not be applied toward the payment of the dollar amount of the deductions
17 representing the portion of the credited service that is being purchased by the member
18 through payroll deduction in accordance with the member's irrevocable election under
19 this subsection;

20 (3) amounts paid by an employer under this subsection shall be treated
21 as employer contributions for the purpose of determining tax treatment under the
22 Internal Revenue Code; the amounts paid by the employer under this section may not
23 be included in the member's gross income for income tax purposes until those amounts
24 are distributed by refund or retirement benefit payments.

25 * Sec. 73. AS 39.35.165(f) is amended to read:

26 (f) The commissioner may accept rollover contributions from a member [AND
27 DIRECT TRANSFERS, AS DESCRIBED IN THIS SUBSECTION, FOR THE
28 PURCHASE, IN WHOLE OR IN PART, OF CREDITED SERVICE FOR THE
29 REINSTATEMENT, IN WHOLE OR IN PART, OF FORFEITED CREDITED
30 SERVICE UNDER AS 39.35.350]. A rollover contribution [OR TRANSFER] as
31 described in this subsection shall also be treated as employer contributions for the

1 purpose of determining tax treatment under the Internal Revenue Code and may be
2 made by any one or a combination of the following methods:

3 (1) subject to the limitations prescribed in 26 U.S.C. 401(a)(3) and 26
4 U.S.C. 402(c), accepting eligible rollover distributions directly from one or more
5 retirement programs of another employer that are qualified under 26 U.S.C. 401(a) or
6 accepting rollovers directly from a member;

7 (2) subject to the limitations prescribed in 26 U.S.C. 408(d)(3)(A)(ii),
8 accepting from a member conduit rollover contributions that are received by the
9 employee from one or more conduit rollover individual retirement accounts previously
10 established by the member;

11 (3) subject to the limitations prescribed in 26 U.S.C. 403(b)(13),
12 accepting direct trustee-to-trustee transfers of all or a portion of the accounts of the
13 member, on or after January 1, 2002, from a tax sheltered annuity described in 26
14 U.S.C. 403(b);

15 (4) subject to the limitations prescribed in 26 U.S.C. 457(e)(17),
16 accepting direct trustee-to-trustee transfers of all or a portion of the accounts of the
17 member, on or after January 1, 2002, from an eligible deferred compensation plan of a
18 tax-exempt organization or a state or local government described in 26 U.S.C. 457(b);

19 (5) accepting direct trustee-to-trustee transfer from an account
20 established for the benefit of the member in AS 39.30.150 - 39.30.180 (Alaska
21 Supplemental Annuity Plan).

22 * Sec. 74. AS 39.35.165(g) is amended to read:

23 (g) Payments made under this section shall be applied to reduce the
24 employee's outstanding indebtedness described in AS 39.35.310, 39.35.330,
25 39.35.340, 39.35.342, 39.35.345, [39.35.350,] 39.35.360, 39.35.370, 39.35.375, or
26 39.35.381 at the time that the contributions are received by the plan.

27 * Sec. 75. AS 39.35.165(i) is amended to read:

28 (i) On satisfaction of the eligibility requirements of AS 39.35.310, 39.35.330,
29 39.35.340, 39.35.341, 39.35.345, [39.35.350,] 39.35.360, 39.35.370, 39.35.375, or
30 39.35.381, the requirements of this section, and the administrative filing requirements
31 specified by the commissioner, the plan shall adjust the employee's credited service

1 history and add any additional service credits acquired.

2 * Sec. 76. AS 39.35.200 is amended by adding a new subsection to read:

3 (d) An employee who receives a refund of contributions in accordance with
4 this section forfeits corresponding credited service under AS 39.35.095 - 39.35.680.

5 * Sec. 77. AS 39.35.270 is amended to read:

6 **Sec. 39.35.270. Amount of employer's contributions.** The amount of each
7 employer's contributions shall be determined by applying the employer's contribution
8 rate, as certified by the board, to the total compensation paid to the active employees
9 of the employer for each payroll period and by including any adjustments to
10 contributions required by AS 39.35.520(a). This amount shall be remitted by the
11 employer to the administrator in accordance with AS 39.35.610.

12 * Sec. 78. AS 39.35.270 is amended by adding a new subsection to read:

13 (b) When added to the member contribution rate calculated under
14 AS 39.35.162, the employer contribution may not be less than the rate required, as
15 actuarially calculated, to fully fund the future liabilities of active members.

16 * Sec. 79. AS 39.35.340(f) is amended to read:

17 (f) An employee may not [CANNOT] be credited with a period of active
18 military service in the armed forces of the United States under this section if credit for
19 that military service was granted under AS 14.25.009 - 14.25.220 [AS 14.25].

20 * Sec. 80. AS 39.35.340(h) is amended to read:

21 (h) The combined period of military service claimed under this section and
22 under AS 14.25.009 - 14.25.220 [AS 14.25] may not exceed five years.

23 * Sec. 81. AS 39.35.360(i) is amended to read:

24 (i) An employee who completes three years of credited service with an
25 employer, for which the employee makes contributions required by AS 39.35.095 -
26 39.35.680 [THIS CHAPTER], is entitled to credited service on a year-for-year basis
27 for service credited in the Civil Service Retirement System, rendered as an employee
28 of an Alaska Bureau of Indian Affairs (BIA) school, other than service as a teacher.
29 When eligibility for retroactive credited service under this subsection has been
30 established, an indebtedness of the employee to the plan [SYSTEM] shall be
31 determined as follows: (1) the employee's actual annual compensation, or the

1 calculated annual compensation for an employee who works fewer than 12 months, for
2 the most recent calendar year in which service is rendered to an employer before the
3 calendar year in which the employee first becomes eligible to claim service under this
4 subsection, multiplied by (2) the number of years of service in Alaska BIA schools
5 that is credited under this subsection, and this product multiplied by (3) six percent for
6 employees first eligible to claim this service before January 1, 1987, or eight and one-
7 half percent for employees first eligible to claim this service on or after January 1,
8 1987. Interest as prescribed by regulation accrues on the indebtedness beginning on
9 the date the employee may first claim the retroactive credited service. Any
10 outstanding indebtedness that exists at the time the employee retires requires an
11 actuarial adjustment to the benefits that are based on retroactive credited service under
12 this subsection. A retirement benefit payable under this subsection for Alaska BIA
13 service shall be reduced by an amount equal to the retirement benefits paid to the
14 member by the United States government for the same service.

15 * Sec. 82. AS 39.35.360(l) is amended to read:

16 (l) An administrative director of the Alaska Court System who withdraws
17 from the judicial retirement system under AS 22.25.012(b) is eligible for membership
18 in the plan [PUBLIC EMPLOYEES' RETIREMENT SYSTEM] and shall receive
19 credited service in this plan [SYSTEM] for service rendered as administrative
20 director. To be eligible for membership in this plan [SYSTEM] under this subsection,
21 the administrative director must contribute to the plan [SYSTEM]

22 (1) the amount that would have been contributed if the administrative
23 director had been a member during the period of the membership in the judicial
24 retirement system; and

25 (2) any contributions for service as administrative director refunded
26 from the plan [PUBLIC EMPLOYEES' RETIREMENT SYSTEM] at the time the
27 administrative director became a member of the judicial retirement system.

28 * Sec. 83. AS 39.35.370(g) is amended to read:

29 (g) When an employee who was employed as a dispatcher in a state trooper
30 office or in a police or fire department in the plan [PUBLIC EMPLOYEES'
31 RETIREMENT SYSTEM] applies for appointment to retirement, the employee may

1 convert the credited service for that position to credited service as a peace officer by
2 claiming the service as peace officer service. An employee who has converted
3 credited service to peace officer service under this subsection shall be treated as a
4 peace officer for purposes of AS 39.35.095 - 39.35.680 [THIS CHAPTER]. When the
5 member claims this credited service as peace officer service, an indebtedness of the
6 member to the plan [SYSTEM] shall be established. The indebtedness is equal to the
7 full actuarial cost of the conversion of the credited service to treatment as peace
8 officer service. Any outstanding indebtedness that exists at the time the member is
9 appointed to retirement shall [WILL] require an actuarial adjustment to the benefits
10 payable based upon the conversion of the credited service.

11 * Sec. 84. AS 39.35.375(a) is amended to read:

12 (a) An active or inactive member who has never been vested in this plan
13 [SYSTEM] or in the teachers' retirement plan [SYSTEM] under AS 14.25.009 -
14 14.25.220 [AS 14.25], who has at least two years of credited service in this plan
15 [SYSTEM], and who has membership service in the teachers' retirement system may
16 claim credited service in this plan [SYSTEM] in an amount equal to the membership
17 service the member has in the teachers' retirement system. The claimed credited
18 service may be added to service earned under AS 39.35.095 - 39.35.680 [THIS
19 CHAPTER] to enable the member to qualify for a public service benefit under this
20 section. The member may not claim credited service for membership service for
21 which the member has received a refund under AS 14.25.150 unless the member fully
22 pays the indebtedness as established under AS 14.25.063. The member may not claim
23 credited service in this plan [SYSTEM] based on unused sick leave under
24 AS 14.25.115.

25 * Sec. 85. AS 39.35.375(b) is amended to read:

26 (b) To claim credited service under this section, the member shall file a
27 written request with the administrator when the member applies to retire. The
28 administrator shall determine the full actuarial cost of benefits based on the member's
29 total credited service and shall transfer from the teachers' retirement system to this
30 plan [SYSTEM] an amount equal to the sum of the member contributions and any
31 indebtedness payments to the teachers' retirement system and the employer

1 contributions to the teachers' retirement system made on behalf of the employee
2 together with interest earned on those contributions and indebtedness payments. If the
3 amount to be transferred, when combined with the amount of employee contributions
4 and indebtedness payments to this plan [SYSTEM] and the amount of employer
5 contributions on behalf of the employee in this plan [SYSTEM], and interest earned
6 on contributions and indebtedness payments for the employee, is less than the full
7 actuarial cost computed under this subsection, an indebtedness to the plan [SYSTEM]
8 equal to the amount of the difference is established. Interest as prescribed by
9 regulation accrues on the indebtedness. The member must pay any outstanding
10 indebtedness existing at the time the member applies for retirement in full before the
11 member is appointed to retirement under this section.

12 * Sec. 86. AS 39.35.375(c) is amended to read:

13 (c) A member is entitled to receive a public service benefit under this section
14 if the member has at least a total of five years credited service under AS 39.35.095 -
15 39.35.680 [THIS CHAPTER] and credited service from the teachers' retirement plan
16 under AS 14.25.009 - 14.25.220 [SYSTEM] claimed under this section. A public
17 service benefit shall be calculated using the higher of the average monthly
18 compensation for service in this plan [SYSTEM] or the average base salary for
19 service in the teachers' retirement plan under AS 14.25.009 - 14.25.220 [SYSTEM].
20 The amount of the benefit shall be calculated in accordance with AS 39.35.370(c).

21 * Sec. 87. AS 39.35.375(d) is amended to read:

22 (d) Credited service earned under either this plan [SYSTEM] or the teachers'
23 retirement system that has been claimed for a public service benefit under this section
24 may not be used for any other purpose. A member who claims credited service under
25 this section loses all rights to benefits under AS 14.25 based on the claimed credited
26 service. A member may not claim credited service under this section unless the
27 member claims all of the membership service the member has in the teachers'
28 retirement system. A public service benefit does not constitute a normal or early
29 retirement benefit for purposes of qualifying for a conditional service retirement
30 benefit under AS 14.25.125 or AS 39.35.385.

31 * Sec. 88. AS 39.35.375(f) is amended to read:

1 (f) Notwithstanding AS 14.25.063 and AS 39.35.350, a former member of the
2 teachers' retirement system who is an active member or inactive member of this plan
3 [SYSTEM] may reinstate, under this section, membership service earned under
4 AS 14.25 for which the member received a refund of contributions.

5 * Sec. 89. AS 39.35.375(f) is amended to read:

6 (f) Notwithstanding AS 14.25.063 [AND AS 39.35.350], a former member of
7 the teachers' retirement system who is an active member or inactive member of this
8 plan may reinstate, under this section, membership service earned under AS 14.25 for
9 which the member received a refund of contributions.

10 * Sec. 90. AS 39.35.375(g) is amended to read:

11 (g) If a member retires under this section and subsequently returns to work for
12 an employer under this plan [SYSTEM] or the teachers' retirement system, benefits
13 under this section shall cease during the period of reemployment and shall
14 recommence when the reemployment is ended. The credited service earned during the
15 period of reemployment may not be added to the credited service claimed for a public
16 service benefit under this section. If a member vests and meets the other eligibility
17 requirements under this system or the teachers' retirement system during the
18 reemployment, the member is entitled to a benefit under AS 14.25.009 - 14.25.220
19 [AS 14.25] or 39.35.095 - 39.35.680 [AS 39.35], as appropriate.

20 * Sec. 91. AS 39.35.375 is amended by adding a new subsection to read:

21 (h) In this section,

22 (1) "teachers' retirement system" and "teachers' retirement system
23 under AS 14.25" means the teachers' retirement plan established in AS 14.25.009 -
24 14.25.220;

25 (2) "membership service earned under AS 14.25" means membership
26 service earned under AS 14.25.009 - 14.25.220.

27 * Sec. 92. AS 39.35.381(a) is amended to read:

28 (a) An elected public officer is eligible for a public officer benefit if the officer
29 is retired under AS 14.25.009 - 14.25.220 [AS 14.25 (TEACHERS' RETIREMENT
30 SYSTEM)]. Only fully paid credited service as an elected public officer of a
31 municipality or other political subdivision, earned while the municipality or political

1 subdivision was an employer under this plan [SYSTEM] and while the person was
2 employed full-time under AS 14.25.009 - 14.25.220 [AS 14.25], may be counted
3 under this section.

4 * Sec. 93. AS 39.35.385(f) is amended to read:

5 (f) Subject to AS 39.35.450, an employee is eligible for a normal retirement
6 benefit at age 60 or an early retirement benefit at age 55 if the employee was first
7 hired as a legislative employee before May 30, 1987, and has at least 120 [60] days of
8 credited service as an employee of the legislature, other than as an employee of the
9 Office of the Ombudsman or the office of victims' rights, during each of five
10 legislative sessions. An employee who was first hired as a legislative employee on or
11 after May 30, 1987, and is otherwise eligible under this subsection must have at least
12 120 [80] days of credited service during each of five legislative sessions to receive
13 benefits under this subsection.

14 * Sec. 94. AS 39.35.410(f) is amended to read:

15 (f) An employee is not entitled to an occupational disability benefit unless the
16 employee files an application for it with the administrator within 90 days of the date of
17 terminating employment. If the employee is unable to meet a filing requirement of
18 this subsection, it may be waived by the commissioner [PUBLIC EMPLOYEES'
19 RETIREMENT BOARD] if there are extraordinary circumstances that resulted in the
20 employee's inability to meet the filing requirement. [THE BOARD MAY
21 DELEGATE THE AUTHORITY TO WAIVE A FILING DEADLINE UNDER THIS
22 SUBSECTION TO THE ADMINISTRATOR.]

23 * Sec. 95. AS 39.35.475(b) is amended to read:

24 (b) The increase in benefit payments applies to total benefit payments
25 [EXCEPT FOR THE COST-OF-LIVING ALLOWANCE UNDER AS 39.35.480].
26 The amount of the increase is a percentage of the current benefit equal to

27 (1) the lesser of 75 percent of the increase in the cost of living in the
28 preceding calendar year or nine percent, for recipients who on July 1 are at least 65
29 years old and for members receiving disability benefits; and

30 (2) the lesser of 50 percent of the increase in the cost of living in the
31 preceding calendar year or six percent, for recipients who on July 1 are at least 60 but

1 less than 65 years old or for recipients who are less than 60 years old on July 1 but
2 who have received benefits from the plan [SYSTEM] for at least five years.

3 * Sec. 96. AS 39.35.485(a) is amended to read:

4 (a) An employee who is eligible for a benefit calculated in accordance with
5 AS 39.35.370(c) is entitled to a benefit of at least \$25 a month for each year of
6 credited service, not including adjustments made under AS 39.35.340 for military
7 service, AS 39.35.350 for reinstatement of credited service, AS 39.35.360 for credit
8 for earlier service, AS 39.35.370(c) for early retirement, AS 39.35.420 for
9 nonoccupational death benefits, AS 39.35.450 for the survivor's option, former
10 AS 39.35.460 for the level income option, and AS 39.35.475 for the post-retirement
11 pension adjustment [, AND AS 39.35.480 FOR THE COST OF LIVING].

12 * Sec. 97. AS 39.35.485(a) is amended to read:

13 (a) An employee who is eligible for a benefit calculated in accordance with
14 AS 39.35.370(c) is entitled to a benefit of at least \$25 a month for each year of
15 creditea service, not including adjustments made under AS 39.35.340 for military
16 service, [AS 39.35.350 FOR REINSTATEMENT OF CREDITED SERVICE,]
17 AS 39.35.360 for credit for earlier service, AS 39.35.370(c) for early retirement,
18 AS 39.35.420 for nonoccupational death benefits, AS 39.35.450 for the survivor's
19 option, former AS 39.35.460 for the level income option, and AS 39.35.475 for the
20 post-retirement pension adjustment.

21 * Sec. 98. AS 39.35.680(2) is amended to read:

22 (2) "actuarial adjustment" means the adjustment necessary to obtain
23 equality in value of the aggregate expected payments under two different forms of
24 pension payments, considering expected mortality and interest earnings on the basis of
25 assumptions, factors, and methods specified in regulations issued under this plan
26 [SYSTEM] that are formally adopted [UNDER AS 39.35.042] by the board that
27 clearly preclude employer discretion in the determination of the amount of any
28 member's benefit;

29 * Sec. 99. AS 39.35.680(6) is amended to read:

30 (6) "board" means the Alaska Retirement Management [PUBLIC
31 EMPLOYEES RETIREMENT] Board;

1 * Sec. 100. AS 39.35.680(34) is amended to read:

2 (34) "qualified domestic relations order" means a divorce or
3 dissolution judgment under AS 25.24, including an order approving a property
4 settlement, that

5 (A) creates or recognizes the existence of an alternate payee's
6 right to, or assigns to an alternate payee the right to, receive all or a portion of
7 employee contribution account or the benefits payable with respect to an
8 employee;

9 (B) sets out the name and last known mailing address, if any, of
10 the employee and of each alternate payee covered by the order;

11 (C) sets out the amount or percentage of the employee's benefit,
12 or of any survivor's benefit, to be paid to the alternate payee, or sets out the
13 manner in which that amount or percentage is to be determined;

14 (D) sets out the number of payments or period to which the
15 order applies;

16 (E) sets out the retirement plan [SYSTEM] to which the order
17 applies;

18 (F) does not require any type or form of benefit or any option
19 not otherwise provided by AS 39.35.095 - 39.35.680 [THIS CHAPTER];

20 (G) does not require an increase of benefits in excess of the
21 amount provided by AS 39.35.095 - 39.35.680 [THIS CHAPTER], determined
22 on the basis of actuarial value; and

23 (H) does not require the payment to an alternate payee of
24 benefits that are required to be paid to another alternate payee under another
25 order previously determined to be a qualified domestic relations order;

26 * Sec. 101. AS 39.35.680 is amended by adding new paragraphs to read:

27 (41) "commissioner" means the commissioner of administration:

28 (42) "plan" means the retirement plan established in AS 39.35.095 -
29 39.35.680.

30 * Sec. 102. AS 39.35 is amended by adding new sections to read:

31 Article 9. Employees First Hired on or after July 1, 2005.

1 **Sec. 39.35.700. Applicability of AS 39.35.700 - 39.35.990.** The provisions of
2 AS 39.35.700 - 39.35.990 apply only to members first hired on or after July 1, 2005.

3 **Sec. 39.35.710. Defined contribution retirement plan established; federal**
4 **qualification requirements.** (a) A defined contribution retirement plan is established
5 for employees of the state or a political subdivision or public organization of the state.

6 (b) The defined contribution retirement plan is a plan in which savings are
7 accumulated in an individual retirement account for the exclusive benefit of the
8 member or beneficiaries. The plan is established effective July 1, 2005, at which time
9 contributions by employers and members begin.

10 (c) The retirement plan established by AS 39.35.700 - 39.35.990 is intended to
11 qualify under 26 U.S.C. 401(a) and 414(d) (Internal Revenue Code) as a qualified
12 retirement plan established and maintained by the state for its employees, for the
13 employees of political subdivisions, public corporations, and public organizations of
14 the state, and for the employees of other employers whose participation is authorized
15 by AS 39.35.700 - 39.35.990 and who participate in the plan set out in AS 39.35.700 -
16 39.35.990.

17 (d) An amendment to AS 39.35.700 - 39.35.990 does not provide a person
18 with a vested right to a credit if the Internal Revenue Service determines that the
19 amendment will result in disqualification of the plan under the Internal Revenue Code.

20 **Sec. 39.35.720. Membership.** An employee who becomes a member on or
21 after July 1, 2005, shall participate in the plan set out in AS 39.35.700 - 39.35.990.

22 **Sec. 39.35.730. Contributions by members.** (a) Each member shall
23 contribute to the member's individual account in an amount equal to eight percent of
24 the member's compensation from July 1 to the following June 30.

25 (b) Subject to the limitations on contributions under AS 39.35.780, a member
26 may elect to make additional contributions to the member's individual account.

27 (c) The employer shall deduct the contribution from the member's
28 compensation at the end of each payroll period, and the contribution shall be credited
29 by the plan to the member's individual account. The contributions shall be deducted
30 from member's compensation before the computation of applicable federal taxes and
31 shall be treated as employer contributions under 26 U.S.C. 414(h)(2). A member may

1 not have the option of making the payroll deduction directly in cash instead of having
2 the contribution picked up by the employer.

3 **Sec. 39.35.740. Employment contributions mandatory.** Contributions of
4 employees shall be made by payroll deductions. Every included employee shall be
5 considered to consent to payroll deductions. It is of no consequence that a payroll
6 deduction may cause the compensation paid in cash to an employee to be reduced
7 below the minimum required by law. Payment of an employee's compensation, less
8 payroll deductions, is a full and complete discharge and satisfaction of all claims and
9 demands by the employee relating to remuneration of services during the period
10 covered by the payment, except with respect to the benefits provided under the plan.

11 **Sec. 39.35.750. Contributions by employers.** (a) An employer shall
12 contribute to each member's individual account an amount equal to 3.5 percent of the
13 member's compensation from July 1 to the following June 30.

14 (b) An employer shall also contribute an amount equal to 3.75 percent of each
15 member's compensation from July 1 to the following June 30 to pay for retiree major
16 medical insurance. This contribution shall be paid into the group health and life
17 benefits fund established by the commissioner of administration under AS 39.30.095
18 and shall be accounted for in accordance with regulations established by the
19 commissioner.

20 (c) An employer shall also make contributions to the health reimbursement
21 arrangement plan under AS 39.30.300.

22 **Sec. 39.35.760. Rollover contributions and distributions.** (a) An employee
23 may elect, at the time and in the manner prescribed by the administrator, to have all or
24 part of a direct rollover distribution from an eligible retirement plan owned by the
25 member paid directly into the member's individual account.

26 (b) Rollover contributions do not count as a purchase of membership service
27 for the purpose of determining years of service.

28 (c) A distributee may elect, at the time and in the manner prescribed by the
29 administrator, to have all or part of an eligible rollover distribution paid directly to an
30 eligible retirement plan specified by the distributee in the direct rollover.

31 (d) In this section,

1 (1) "direct rollover" means the payment of an eligible rollover
2 distribution by the plan to an eligible retirement plan specified by a distributee who is
3 eligible to elect a direct rollover;

4 (2) "distributee" means a member, or a beneficiary who is the
5 surviving spouse of the member, or an alternate payee;

6 (3) "eligible retirement plan" means

7 (A) a conduit individual retirement account described in 26
8 U.S.C. 408(d)(3)(A);

9 (B) an annuity plan described in 26 U.S.C. 403(a);

10 (C) a qualified trust described in 26 U.S.C. 401(a);

11 (D) an annuity plan described in 26 U.S.C. 403(b); or

12 (E) a governmental plan described in 26 U.S.C. 457(b);

13 (4) "eligible rollover distribution" means a distribution of all or part of
14 a total account to a distributee, except for

15 (A) a distribution that is one of a series of substantially equal
16 installments payable not less frequently than annually over the life expectancy
17 of the distributee or the joint and last survivor life expectancy of the distributee
18 and the distributee's designated beneficiary, as defined in 26 U.S.C. 401(a)(9);

19 (B) a distribution that is one of a series of substantially equal
20 installments payable not less frequently than annually over a specified period
21 of 10 years or more;

22 (C) a distribution that is required under 26 U.S.C. 401(a)(9);

23 (D) the portion of any distribution that is not includable in
24 gross income;

25 (E) a distribution that is on account of hardship; and

26 (F) other distributions that are reasonably expected to total less
27 than \$200 during a year.

28 **Sec. 39.35.770. Transmittal of contributions.** All contributions deducted in
29 accordance with AS 39.35.700 - 39.35.990 shall be transmitted to the plan for deposit
30 in the trust fund as soon as administratively feasible, but in no event later than 15 days
31 following the close of the payroll period.

1 **Sec. 39.35.780. Limitations on contributions.** Notwithstanding any other
2 provisions of this plan, the annual additions to each member's individual account
3 under this plan and under all defined contribution plans of the employer required to be
4 aggregated with the contributions from this plan under the provisions of 26 U.S.C. 415
5 may not exceed, for any limitation year, the amount permitted under 26 U.S.C. 415 at
6 any time. If the amount of a member's defined contribution plan contributions exceeds
7 the limitation of 26 U.S.C. 415(c) for any limitation year, the administrator shall take
8 any necessary remedial action to correct an excess contribution. The provisions of 26
9 U.S.C. 415, and the regulations adopted under that statute, as applied to qualified
10 defined contribution plans of governmental employees are incorporated as part of the
11 terms and conditions of the plan.

12 **Sec. 39.35.790. Vesting.** (a) A participating member is immediately and
13 fully vested in that member's contributions and related earnings.

14 (b) A member shall be fully vested in the employer contributions made on that
15 member's behalf, and related earnings, after five years of service. A member is
16 partially vested in the employer contributions made on that member's behalf, and the
17 related earnings, in the ratio of

- 18 (1) 25 percent with two years of service;
19 (2) 50 percent with three years of service; and
20 (3) 75 percent with four years of service.

21 **Sec. 39.35.800. Investment of individual accounts.** (a) The board shall
22 provide a range of investment options and permit a participant to exercise investment
23 control over the participant's asset in the member's individual account as provided in
24 this section. If a participant exercises control over the assets in the individual account,
25 the participant is not considered a fiduciary for any reason on the basis of exercising
26 that control.

27 (b) A participant may direct investment of plan funds held in an account
28 among available investment funds in accordance with rules established by the board.

29 (c) A participant may elect to change or transfer all or a portion of the
30 participant's existing account balance among available investment funds not more
31 often than once each day in accordance with the rules established by the administrator.

1 Only the last election received by the administrator before the transmittal of
2 contributions to the trust fund for allocation to the individual account shall be used to
3 direct the investment of the contributions received.

4 (d) Except to the extent clearly set out in the terms of the investment plans
5 offered by the employer to the employee, the employer is not liable to the participant
6 for investment losses if the prudent investment standard has been met.

7 (e) The employer, administrator, state, board, or a person or entity who is
8 otherwise a fiduciary is not liable by reason for any participant's investment loss that
9 results from the participant's directing the investment of plan assets allocated to the
10 participant's account.

11 (f) To the extent that a member's individual account has been divided as
12 provided in a qualified domestic relations order between participants, each participant
13 shall be treated as the holder of a separate individual account for purposes of
14 investment yields, decisions, transfers, and time limitations imposed by this section.

15 **Sec. 39.35.810. Distribution election at termination.** (a) A member is
16 eligible to elect distribution of the member's account in accordance with this section
17 60 days after termination of employment.

18 (b) Notwithstanding (a) of this section, distribution of all or a portion of the
19 individual account of a member may take place before the 60th day after the
20 termination of employment with the approval of the administrator if the member
21 makes a written request for a distribution under this subsection. The member's spouse
22 must consent to the request in writing if the member is married. Distribution of an
23 individual account may only be made on account of an immediate and heavy financial
24 need of the member for the following reasons and in the amount the need is
25 demonstrated for

26 (1) medical care described in 26 U.S.C. 213(d) incurred by the
27 member, the member's spouse, or the member's dependent, or necessary to obtain that
28 medical care;

29 (2) the purchase of a principal residence for the member;

30 (3) postsecondary education tuition and related educational fees for the
31 next 12-month period for the member, the member's spouse, or a dependent of the

1 member; in this paragraph, "dependent" has the meaning given in 26 U.S.C. 152;

2 (4) prevention of the eviction of the member from the member's
3 principal residence or foreclosure on the mortgage of the member's principal
4 residence; or

5 (5) any need prescribed by the United States Department of the
6 Treasury, Internal Revenue Service, in a revenue ruling, notice, or other document of
7 general applicability that satisfies the safe harbor definition of hardship under
8 regulations adopted under 26 U.S.C. 401(k).

9 (c) If a member dies before benefits commence, the member's beneficiary is
10 immediately eligible to elect distribution of the member's share of the member's
11 individual account.

12 (d) Distributions are payable to an alternate payee in accordance with the
13 terms and conditions of a qualified domestic relations order that is received and
14 approved by the administrator as specified in AS 39.35.860.

15 (e) Distributions that are being paid to a member may not be affected by the
16 member's subsequent reemployment with the employer. Upon reemployment, a new
17 individual account shall be established for the member to which any future
18 contributions shall be allocated. Upon subsequent termination of employment, the
19 member's new individual account shall be distributed in accordance with this section.

20 **Sec. 39.35.820. Forms of distribution.** (a) A participant may elect to receive
21 the participant's share of the individual account in a

22 (1) lump sum payment, which is a single payment of the entire balance
23 in the account;

24 (2) periodic lump sum payment, which is a payment of a portion of the
25 balance in the account, not more than twice each year;

26 (3) period certain annuity payment, which is an annuity payable in a
27 fixed number of monthly installments for a duration of 60, 120, or 180 months;

28 (4) life annuity with a period certain payment, which is an annuity
29 payable until the later of the first day of the month in which the annuitant's death
30 occurs, or the date on which the payment of a fixed number of monthly installments is
31 completed; the period certain for installments is 120 or 180 months;

1 (5) single life annuity payment, which is an annuity payable monthly
2 until the first of the month in which the annuitant's death occurs; or

3 (6) joint and survivor annuity payment, which is an annuity payable
4 monthly to the member until the first of the month in which the member's death
5 occurs; after the member's death, a survivor annuity equal to 50 percent or 100 percent
6 of the member's benefit, as previously elected by the member, shall be paid monthly to
7 the joint annuitant for the remainder of the survivor's lifetime.

8 (b) Upon the death of an annuitant whose payments have commenced, an
9 annuitant's beneficiary shall receive further payments only to the extent provided in
10 accordance with the form of payment that was being made to the annuitant. The
11 remaining portion of the interest shall continue to be distributed at least as rapidly as
12 under the method of distribution being used before the annuitant's death.

13 (c) If a participant dies before the distribution commencement date,
14 distribution of the participant's entire interest to a beneficiary shall be payable in any
15 form other than a joint and survivor annuity.

16 (d) If an unmarried member or other participant fails to elect a form of
17 payment before the distribution commencement date, the account shall be paid to a
18 beneficiary in the form of a lump sum to the extent required by the minimum
19 distribution requirements set out in the Internal Revenue Code. If a married member
20 fails to elect a form of payment before the distribution commencement date, the
21 account shall be paid in the form of a 50 percent joint and survivor annuity, with the
22 member's spouse as the joint annuitant.

23 **Sec. 39.35.830. Manner of electing distributions.** (a) Any election or any
24 alteration or revocation of a prior election by a participant for any purpose under this
25 plan shall be on forms or made in a manner prescribed for that purpose by the plan
26 administrator. To be effective, the forms required or the required action for any
27 purpose under this plan must be completed and received in accordance with
28 regulations adopted by the commissioner of administration.

29 (b) At any time, but not less than seven days before the benefit
30 commencement date, a member, alternate payee, or beneficiary may change

31 (1) the form of payment election:

1 (2) an election to commence benefits; or

2 (3) the joint annuitant designation.

3 (c) Changes in elections are not allowed on or after seven days before the
4 benefit commencement date.

5 **Sec. 39.35.840. Distribution requirements.** (a) Payments to a participant
6 shall commence as soon as administratively feasible following the distribution
7 commencement date. The distribution commencement date is the first date on which
8 one of the following occurs:

9 (1) a member meets the requirements of AS 39.35.810 and has made a
10 complete application for payment under AS 39.35.830;

11 (2) a participant has elected to defer receipt of the account to a date
12 specified, the date has been attained, and the participant has made a complete
13 application for payment;

14 (3) a member attains normal retirement age and has not made an
15 application for payment or elected to defer receipt of the account to a date later than
16 normal retirement age;

17 (4) a member's beneficiary does not make an application for benefits
18 and five years have elapsed since the member's death;

19 (5) notwithstanding (a) of this section, a participant whose account has
20 a balance of \$1,000 or less meets the requirements of AS 39.35.830, at which time the
21 participant must take payment of the participant's account.

22 (b) The entire interest of a member must be distributed or must begin to be
23 distributed not later than the member's required beginning date.

24 (c) If a member dies after the distribution of the member's interest has begun
25 but before the distribution has been completed, the remaining portion of the interest
26 shall continue to be distributed at least as rapidly as under the method of distribution
27 being used before the member's death.

28 (d) If a member has made a distribution election and dies before the
29 distribution of the member's interest begins, distribution of the member's entire interest
30 shall be completed by December 31 of the calendar year containing the fifth
31 anniversary of the member's death. However, if any portion of the member's interest

1 is payable to a designated beneficiary, distributions may be made over the life of the
2 designated beneficiary or over a period certain not greater than the life expectancy of
3 the designated beneficiary, commencing on or before December 31 of the calendar
4 year immediately following the calendar year in which the member died, and, if the
5 designated beneficiary is the member's surviving spouse, the date distributions are
6 required to begin may not be earlier than the later of December 31 of the calendar year
7 (1) immediately following the calendar year in which the member died, or (2) in which
8 the member would have attained 70 1/2 years of age, whichever is earlier. If the
9 surviving spouse dies after the member but before payments to the spouse have begun,
10 the provisions of this subsection apply as if the surviving spouse were the member.
11 An amount paid to a child of the member shall be treated as if it were paid to the
12 surviving spouse if the amount becomes payable to the surviving spouse when the
13 child reaches the age of majority.

14 (e) If a member has not made a distribution election before the member's
15 death, the member's designated beneficiary must elect the method of distribution not
16 later than December 31 of the calendar year (1) in which distributions would be
17 required to begin under this section, or (2) that contains the fifth anniversary of the
18 date of death of the member, whichever is earlier. If the member does not have a
19 designated beneficiary or if the designated beneficiary does not elect a method of
20 distribution, distribution of the member's entire interest must be completed by
21 December 31 of the calendar year containing the fifth anniversary of the member's
22 death.

23 (f) For purposes of (b) of this section, distribution of a member's interest is
24 considered to begin (1) on the member's required beginning date, or (2) if the
25 designated beneficiary is the member's surviving spouse and the surviving spouse dies
26 after the member but before payments to the spouse have begun, on the date
27 distribution is required to begin to the surviving spouse. If distribution in the form of
28 an annuity irrevocably commences to the member before the required beginning date,
29 the date distribution is considered to begin is the date that the distribution actually
30 commences.

31 (g) Notwithstanding any contrary provisions of AS 39.35.700 - 39.35.990, the

1 requirements of this section apply to all distributions of a member's interest and take
2 precedence over any inconsistent provisions of AS 39.35.700 - 39.35.990.

3 (h) All distributions required under this section are determined and made in
4 accordance with 26 U.S.C. 401(a)(9) and regulations adopted under that statute,
5 including any minimum distribution incidental benefit requirement.

6 (i) In this section,

7 (1) "designated beneficiary" means the individual who is designated as
8 the beneficiary under the plan in accordance with 26 U.S.C. 401(a)(9) and regulations
9 adopted under that statute;

10 (2) "required beginning date" means the first day of April of the
11 calendar year following the calendar year in which the member either attains 70 1/2
12 years of age or actually terminates employment, whichever is later.

13 Sec 39.35.850. Designation of beneficiary. (a) Each participant shall have
14 the right to designate a beneficiary and shall have the right, at any time, to revoke the
15 designation, or to substitute another beneficiary, subject to the following limitation: if a
16 married member elects a nonspouse beneficiary, the value of the benefit payable to the
17 beneficiary may not exceed 50 percent of the member's portion of the account balance,
18 and the member's spouse shall automatically be considered the beneficiary for the
19 remaining 50 percent of the account balance, unless the spouse consents to the
20 beneficiary designation in a writing that is notarized or witnessed by the administrator.
21 If the spouse consents in this manner, a married member may designate a nonspouse
22 beneficiary for the entire benefit or any portion the benefit as part of an available form
23 of payment contained in this plan.

24 (1) except to the extent a qualified domestic relations order filed with
25 the administrator provides for payment to a former spouse or other dependent of the
26 member; or

27 (2) unless the member filed a revocation of beneficiary accompanied
28 by a written consent to the revocation from the present spouse and each person entitled
29 under the order; however, consent of the present spouse is not required if the member
30 and the present spouse had been married for less than one year on the date of the
31 member's death and if the member established when filing the revocation that the

1 member and the present spouse were not cohabiting.

2 (b) Except as provided in (a) of this section, the member may change or
3 revoke the designation without notice to the beneficiary or beneficiaries at any time.
4 If a member designates more than one beneficiary, each shares equally unless the
5 member specifies a different allocation or preference. The designation of a
6 beneficiary, a change or revocation of a beneficiary, and a consent to revocation of a
7 beneficiary shall be made on a form provided by the administrator and is not effective
8 until filed with the administrator.

9 (c) If a member fails to designate a beneficiary, or if no designated beneficiary
10 survives the member, the death benefit shall be paid

11 (1) to the surviving spouse or, if there is none surviving;

12 (2) to the surviving children of the member in equal parts or, if there
13 are none surviving;

14 (3) to the surviving parents in equal parts or, if there are none
15 surviving;

16 (4) to the estate.

17 (d) A person claiming entitlement to benefits payable under AS 39.35.700 -
18 39.35.990 as a consequence of a member's death shall provide the administrator with a
19 marriage certificate, divorce or dissolution judgment, or other evidence of entitlement.
20 Documents establishing entitlement may be filed with the administrator immediately
21 after a change in the member's marital status. If the administrator does not receive
22 notification of a claim before the date 10 days after the member's death, the person
23 claiming entitlement is not entitled to receive from the division of retirement and
24 benefits any benefit already paid by the administrator.

25 Sec. 39.35.860. Rights under qualified domestic relations order. (a)
26 Notwithstanding the nonalienation provisions in AS 39.35.900(a), the plan
27 administrator may direct that benefits be paid to someone other than a member or
28 beneficiary under a valid qualified domestic relations order that is executed by the
29 judge of a competent court in accordance with applicable state law and that has been
30 accepted by the administrator.

31 (b) The administrator shall determine whether an order meets the requirements

1 of this section within a reasonable period after receiving an order. The administrator
2 shall notify the member and any alternate payee that an order has been received and
3 indicate to the member and any alternate payee when the order is accepted. A separate
4 account for the alternate payee portion shall be established as soon as administratively
5 feasible after the order has been accepted by the administrator.

6 **Sec. 39.35.870. Eligibility to elect medical benefits.** (a) A member is
7 eligible to elect the medical benefits under AS 39.35.880 if the member

8 (1) has at least 25 years of service as a peace officer or fire fighter or at
9 least 30 years of service for all other employees; or

10 (2) is 65 years of age and has at least 10 years of service.

11 (b) A member's surviving spouse is eligible to elect medical benefits under
12 AS 39.35.880 if the member had elected, or was eligible to elect medical benefits at
13 the time of the member's death.

14 (c) Members shall elect or reject medical benefits on the forms and in the
15 manner prescribed by the administrator. The decision to elect or reject benefits is
16 irrevocable.

17 (d) Election of the retiree major medical insurance plan is not required in
18 order to elect participation in the health reimbursement arrangement.

19 (e) A person eligible to elect medical benefits is not required to participate in
20 the health reimbursement arrangement in order to elect participation in the retiree
21 major medical insurance plan.

22 (f) An eligible person must make the irrevocable election to participate or not
23 participate in the retiree major medical insurance by reaching 70 1/2 years of age, or
24 upon termination of employment, whichever is later.

25 **Sec. 39.35.880. Medical benefits.** (a) The medical benefits available to
26 eligible persons are access to the retiree major medical insurance plan and to the
27 health reimbursement arrangement under AS 39.30.300. Access to the retiree major
28 medical insurance plan means that an eligible person may not be denied insurance
29 coverage except for failure to pay the required premium.

30 (b) Retiree major medical insurance plan coverage elected by an eligible
31 member under this section covers the eligible member, the spouse of the eligible

1 member, and the dependent children of the eligible member.

2 (c) Retiree major medical insurance plan coverage elected by a surviving
3 spouse of an eligible member under this section covers the surviving spouse and the
4 dependent children of the eligible member who are dependent on the surviving spouse.

5 (d) Major medical insurance coverage takes effect on the first day of the
6 month following the date of the administrator's approval of the election and stops
7 when the person who elects coverage dies or fails to make a required premium
8 payment.

9 (e) The coverage for persons 65 years of age or older is the same as that
10 available for persons under 65 years of age. The benefits payable to those persons 65
11 years of age or older supplement any benefits provided under the federal old age,
12 survivors and disability insurance program.

13 (f) The medical and optional insurance premiums owed by the person who
14 elects coverage may be deducted from the health reimbursement arrangement. If the
15 amount of the health reimbursement arrangement becomes insufficient to pay the
16 premiums, the person who elects coverage under (a) of this section shall pay the
17 premiums directly.

18 (g) The cost of premiums for retiree major medical insurance coverage for an
19 eligible member or surviving spouse who is

20 (1) not eligible for Medicare is an amount equal to the full monthly
21 group premiums for retiree major medical insurance coverage;

22 (2) eligible for Medicare is the following percentage of the premium
23 amounts established for retirees who are eligible for Medicare:

24 (A) 30 percent if the member had 10 or more, but less than 15,
25 years of service;

26 (B) 25 percent if the member had 15 or more, but less than 20,
27 years of service;

28 (C) 20 percent if the member had 20 or more, but less than 25,
29 years of service;

30 (D) 15 percent if the member had 25 or more, but less than 30,
31 years of service;

1 (E) 10 percent if the member had 30 or more years of service.

2 (i) The eligibility for retiree major medical insurance coverage for an alternate
3 payee under a qualified domestic relations order shall be determined based on the
4 eligibility of the member to elect coverage. The alternate payee shall pay the full
5 monthly premium for retiree major medical insurance coverage.

6 (j) A person who is entitled to retiree major medical insurance coverage shall

7 (1) be informed by the administrator in writing

8 (A) that the health insurance coverage available to retired
9 members may be different from the health insurance coverage provided to
10 employees;

11 (B) of time limits for selecting optional health insurance
12 coverage and whether the election is irrevocable; and

13 (2) indicate in writing on a form provided by the administrator that the
14 person has received the information required by this subsection and whether the
15 person has chosen to receive optional health insurance coverage.

16 (k) The monthly group premiums for retiree major medical insurance coverage
17 are established by the administrator in accordance with AS 39.30.095. Nothing in
18 AS 39.35.700 - 39.35.990 guarantees a person who elects coverage under (a) of this
19 section a monthly group premium rate for retiree major medical insurance coverage
20 other than the premium in effect for the month in which the premium is due for
21 coverage for that month.

22 (l) In this section, "health reimbursement arrangement" means the plan
23 established in AS 39.30.300.

24 **Sec. 39.35.890. 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. 39.35.900. Exclusive benefit.** (a) The corpus or income of the assets
8 held in trust as required by the plan may not be diverted or used for other than the
9 exclusive benefit of the participants.

10 (b) If plan benefits are provided through the distribution of annuity or
11 insurance contracts, any refunds or credits in excess of plan benefits due to dividends,
12 earnings, or other experience rating credits, or surrender or cancellation credits, shall
13 be paid to the trust fund.

14 (c) The assets of the plan may not be used to pay premiums or contributions of
15 the employer under another plan maintained by the employer.

16 **Sec. 39.35.910. Nonguarantee of returns, rates, or benefit amounts.** The
17 plan created by AS 39.35.700 - 39.35.990 is a defined contribution plan, not a defined
18 benefit plan. The amount of money in the account of a participant depends on the
19 amount of contributions and the rate of return from investments of the account that
20 varies over time. If benefits are paid in the form of an annuity, the benefit amount
21 payable is dependent on the amount of money in the account and the interest rates
22 applied and service fees charged by the annuity payor at the time benefits are first
23 paid. Nothing in this plan guarantees a participant

24 (1) a rate of return or interest rate other than that actually earned by the
25 account of the participant, less applicable administrative expenses; or

26 (2) an annuity based on interest rates or service charges other than
27 interest rates available from and service charges by the annuity payor in effect at the
28 time the annuity is paid.

29 **Sec. 39.35.920. Nonguarantee of employment.** The provisions of
30 AS 39.35.700 - 39.35.990 are not a contract of employment between an employer and
31 an employee, nor do they confer a right of an employee to be continued in the

1 employment of an employer, nor are they a limitation of the right of an employer to
2 discharge an employee with or without cause.

3 **Sec. 39.35.930. Fraud.** A person who knowingly makes a false statement or
4 falsifies or permits to be falsified a record of this plan in an attempt to defraud the plan
5 is guilty of a class A misdemeanor.

6 **Sec. 39.35.990. Definitions.** In AS 39.35.700 - 39.35.990, unless the context
7 requires otherwise,

8 (1) "administrator" means the commissioner of administration or the
9 commissioner's designee;

10 (2) "alternate payee" means the person for whom an amount has been
11 separated into an account under a qualified domestic relations order;

12 (3) "annuitant" means a member, beneficiary, or alternate payee who is
13 receiving a benefit under this plan;

14 (4) "beneficiary" means the person or persons entitled under the
15 provisions of this plan to receive benefits after the death of a member or alternate
16 payee;

17 (5) "board" has the meaning given in AS 39.35.680;

18 (6) "calendar year" has the meaning given in AS 39.35.680;

19 (7) "compensation"

20 (A) means

21 (i) the total remuneration earned by an employee for
22 personal services rendered, including cost-of-living differentials, as
23 reported on the employee's Federal Income Tax Withholding Statement
24 (Form W-2) from the employer for the calendar year;

25 (ii) the member contribution to the public employees'
26 retirement system under AS 39.30.730, employee deferrals under
27 AS 39.45.010, the wage reduction amount contributed to the Alaska
28 Supplemental Annuity Plan under AS 39.30.150(a), and the wage
29 reduction amount contributed to the Alaska Supplemental Benefit Plan
30 under AS 39.30.150(c), as those statutes may be amended from time to
31 time;

1 (B) does not include retirement benefits, severance pay or other
2 separation bonuses, welfare benefits, per diem, expense allowances, workers'
3 compensation payments, payments for leave not used whether those leave
4 payments are scheduled payments, lump-sum payments, donations, or cash-ins,
5 any remuneration contributed by the employer for or on account of the
6 employee under this plan or under any other qualified or nonqualified
7 employee benefit plan, any remuneration not specifically included above
8 which would have been excluded under 26 U.S.C. 3121(a) (Internal Revenue
9 Code) if the employer had remained in the Federal Social Security System, or
10 any remuneration paid by the employer in excess of the Social Security
11 Taxable Wage Base for the calendar year;

12 (C) notwithstanding (B) of this paragraph, includes any amount
13 that is contributed by the employer under a salary reduction agreement and that
14 is not includible in the gross income of the employee under 26 U.S.C. 125,
15 132(f)(4), 402(e)(3), 402(h)(1)(B) or 403(L) (Internal Revenue Code); the
16 annual compensation limitation for the member, which is so taken into account
17 for those purposes, may not exceed \$200,000, as adjusted for the cost of living
18 in accordance with 26 U.S.C. 401(a)(17)(B) (Internal Revenue Code), with the
19 limitation for a fiscal year being the limitation in effect for the calendar year
20 within which the fiscal year begins;

21 (8) "dependent child" has the meaning given in AS 39.35.680;

22 (9) "distribution commencement date" has the meaning given in
23 AS 39.35.840(a);

24 (10) "employer" means

25 (A) the State of Alaska; or

26 (B) a political subdivision or public organization of the state
27 that participates in the plan;

28 (11) "fund" means the assets of the plan;

29 (12) "individual account" means the total maintained by the plan in an
30 investment account within the trust fund, established for each member for the purposes
31 of allocation of the member's contributions, the employer's contributions on behalf of

1 the member, and earnings credited to each of those contributions, investment gains
2 and losses, and expenses; as well as reporting of the member's benefit under the plan;

3 (13) "Internal Revenue Code" means the Internal Revenue Code of
4 1986, as amended;

5 (14) "investment funds" means those separate funds that are provided
6 within and that make up the trust fund and that are established for the purpose of
7 directing investment through the exercise of the sole control of a member, beneficiary,
8 or alternate payee under the terms of the plan and trust agreement;

9 (15) "limitation year" means the year for which contributions are made
10 to a member's individual account as reported to the Internal Revenue Service and as
11 meets the limits described in 26 U.S.C. 415(c);

12 (16) "member" means an employee of an employer or former
13 employee of an employer who retains a right to benefits under the plan;

14 (17) "membership service" means full-time or part-time employment
15 with an employer in the plan;

16 (18) "normal retirement age" means 65 years of age;

17 (19) "participant" means the person who has a vested right to an
18 individual account, such as a member, an alternate payee if the account is subject to a
19 qualified domestic relations order, the member's beneficiary if the member is
20 deceased, or an alternate payee's beneficiary if the alternate payee is deceased;

21 (20) "peace officer" or "fire fighter" has the meaning given in
22 AS 39.35.680;

23 (21) "plan" means the retirement plan established in AS 39.35.700 -
24 39.35.990;

25 (22) "prudent investment standard" means the degree of care, skill,
26 prudence, and diligence under the circumstances then prevailing that a prudent person
27 acting in a like capacity and familiar with such matters would use in the conduct of an
28 enterprise of a like character and with like aims;

29 (23) "qualified domestic relations order" means a divorce or
30 dissolution judgment under AS 25.24, including an order approving a property
31 settlement, that

1 (A) creates or recognizes the existence of an alternate payee's
2 right to, or assigns to an alternate payee the right to, receive all or a portion of
3 an individual account or the benefits payable with respect to a member;

4 (B) sets out the name and last known mailing address, if any, of
5 the member and of each alternate payee covered by the order;

6 (C) sets out the amount or percentage of the member's benefit,
7 or of any survivor's benefit, to be paid to the alternate payee, or sets out the
8 manner in which that amount or percentage is to be determined;

9 (D) sets out the number of payments or period to which the
10 order applies;

11 (E) sets out the retirement plan to which the order applies;

12 (F) does not require any type or form of benefit or any option
13 not otherwise provided by AS 39.35.700 - 39.35.990;

14 (G) does not require an increase of benefits in excess of the
15 amount provided by AS 39.35.700 - 39.35.990; and

16 (H) does not require the payment to an alternate payee of
17 benefits that are required to be paid to another alternate payee under another
18 order previously determined to be a qualified domestic relations order;

19 (24) "retiree" means an eligible person who has elected to receive
20 medical benefits under AS 39.35.880;

21 (25) "surviving spouse" means the spouse of an employee who has
22 been married to the employee for at least one year at the time of the employee's death;

23 (26) "system" has the meaning given in AS 39.35.680;

24 (27) "year of service" means the equivalent of 52 weeks of permanent
25 full-time employment which may consist of a combination of permanent full-time or
26 permanent part-time membership service; in this paragraph, "permanent full-time" and
27 "permanent part-time" have the meanings given in AS 39.35.680.

28 * Sec. 103. AS 39.45.030(a) is amended to read:

29 (a) The Alaska Retirement Management [STATE PENSION
30 INVESTMENT] Board is authorized, subject to contracts with individual employees,
31 to invest the funds held under a deferred compensation program. The board has the

1 same powers and duties concerning the management and investment in regard to those
2 funds as are provided under AS 37.10.220 [AS 14.25.180].

3 * Sec. 104. AS 39.45.030(g) is amended to read:

4 (g) In this section, "board" means the Alaska Retirement Management
5 [STATE PENSION INVESTMENT] Board.

6 * Sec. 105. AS 39.45.060 is amended by adding a new paragraph to read:

7 (2) "board" means the trustees of the Alaska Retirement Management
8 Board established under AS 37.10.210.

9 * Sec. 106. AS 39.50.200(a)(9) is amended to read:

10 (9) "public official" means

11 (A) a judicial officer;

12 (B) the governor or the lieutenant governor;

13 (C) a person hired or appointed in a department in the
14 executive branch as

15 (i) the head or deputy head of the department;

16 (ii) the director or deputy director of a division;

17 (iii) a special assistant to the head of the department;

18 (iv) a person serving as the legislative liaison for the

19 department;

20 (D) an assistant to the governor or the lieutenant governor;

21 (E) the chair or a member of a state commission or board
22 [OTHER THAN PHYSICIAN MEMBERS OR ALTERNATES OF THE
23 ALASKA TEACHERS' RETIREMENT BOARD APPOINTED UNDER
24 AS 14.25.035(a)(2) OR OF THE PUBLIC EMPLOYEES' RETIREMENT
25 BOARD APPOINTED UNDER AS 39.35.030(d);]

26 (F) state investment officers and the state comptroller in the
27 Department of Revenue;

28 (G) [REPEALED

29 (H) the chief procurement officer appointed under
30 AS 36.30.010;

31 (I) [(I)] the executive director of the Alaska Workforce

1 Investment Board; and

2 (I) [(J)] each appointed or elected municipal officer;

3 * Sec. 107. AS 39.50.200(b)(54) is amended to read:

4 (54) Alaska Retirement Management [STATE PENSION
5 INVESTMENT] Board (AS 37.10.210);

6 * Sec. 108. AS 44.25.020(2) is amended to read:

7 (2) collect, account for, have custody of, invest, and manage all state
8 funds and all revenues of the state except revenues incidental to a program of licensing
9 and regulation carried on by another state department, funds managed and invested by
10 the Alaska Retirement Management [STATE PENSION INVESTMENT] Board,
11 and as otherwise provided by law;

12 * Sec. 109. AS 44.25.028(a) is amended to read:

13 (a) The commissioner of revenue may designate employees of the Department
14 of Revenue who are subject to the provisions of AS 39.50 because of their
15 responsibility for participating in the management or investment of the funds for
16 which the Alaska Retirement Management [STATE PENSION INVESTMENT]
17 Board is responsible.

18 * Sec. 110. AS 44.25.028(b) is amended to read:

19 (b) If an officer or employee of the Department of Revenue with responsibility
20 for funds for which the Alaska Retirement Management [STATE PENSION
21 INVESTMENT] Board is responsible acquires, owns, or controls an interest, direct or
22 indirect, in an entity or project in which assets under the control of the board are
23 invested, the officer or employee shall immediately disclose the interest to the board.
24 The disclosure is a matter of public record and shall be included in the minutes of the
25 board meeting next following the disclosure. The commissioner shall adopt
26 regulations to restrict officers and employees of the department from having a
27 substantial interest in an entity or project in which assets under the control of the board
28 are invested.

29 * Sec. 111. AS 44.64.030(a) is amended by adding a new paragraph to read:

30 (36) AS 37.10.210 - 37.10.390 (Alaska Retirement Management
31 Board).

1 * Sec. 112. AS 14.25.012(a), 14.25.015, 14.25.020, 14.25.022, 14.25.030, 14.25.035,
2 14.25.037, 14.25.142, 14.25.170, 14.25.175(e), 14.25.180, 14.25.190, 14.25.220(41);
3 AS 39.30.175(f); AS 39.35.010, 39.35.011, 39.35.020, 39.35.030, 39.35.040, 39.35.042,
4 39.35.047, 39.35.060, 39.35.080, 39.35.090, 39.35.480, 39.35.520(c), 39.35.522(c),
5 39.35.522(e); AS 39.45.025; AS 39.50.200(b)(23), and 39.50.200(b)(29) are repealed.

6 * Sec. 113. AS 14.25.061(c), 14.25.062; and AS 39.35.350 are repealed.

7 * Sec. 114. The uncodified law of the State of Alaska is amended by adding a new section
8 to read:

9 TRANSITION: INITIAL STAGGERED TERMS OF TRUSTEES OF THE
10 ALASKA RETIREMENT MANAGEMENT BOARD. Notwithstanding AS 37.10.210(c), as
11 repealed and reenacted by sec. 41 of this Act, the terms of the initially appointed trustees of
12 the Alaska Retirement Management Board who are not commissioners shall be set by the
13 governor to achieve staggered terms in the manner provided for nine-member boards by
14 AS 39.05.055(7).

15 * Sec. 115. The uncodified law of the State of Alaska is amended by adding a new section
16 to read:

17 TERMS OF MEMBERS OF THE ALASKA TEACHERS' RETIREMENT BOARD,
18 AND THE PUBLIC EMPLOYEES' RETIREMENT BOARD. The terms of all board
19 members appointed to the Alaska Teachers' Retirement Board, and the Public Employees'
20 Retirement Board expire on the effective date of this section.

21 * Sec. 116. The uncodified law of the State of Alaska is amended by adding a new section
22 to read:

23 TERMS OF MEMBERS OF THE ALASKA STATE PENSION INVESTMENT
24 BOARD. The terms of all board members appointed to the Alaska State Pension Investment
25 Board expire on September 30, 2005.

26 * Sec. 117. The uncodified law of the State of Alaska is amended by adding a new section
27 to read:

28 TRANSITION OF DUTIES BETWEEN ALASKA STATE PENSION
29 INVESTMENT BOARD AND THE ALASKA RETIREMENT MANAGEMENT BOARD.

30 (a) After the effective date of this section and until September 30, 2005, the Alaska State
31 Pension Investment Board shall continue to exercise the powers and duties assigned in this

1 Act to the Alaska Retirement Management Board. The Alaska State Pension Investment
2 Board shall take actions to facilitate the transition of duties formerly assigned to the Alaska
3 State Pension Investment Board to the duties assigned in this Act to the Alaska Retirement
4 Management Board. A member of the Alaska Retirement Management Board appointed to
5 serve as a trustee before September 30, 2005, shall be invited to observe and train with the
6 Alaska State Pension Investment Board.

7 (b) The Alaska Retirement Management Board may not assume the duties and
8 responsibilities assigned to the Alaska Retirement Management Board in this Act until
9 October 1, 2005.

10 * Sec. 118. The uncodified law of the State of Alaska is amended by adding a new section
11 to read:

12 TRANSITION. Hearings and other proceedings pending under a law amended or
13 repealed by this Act or in connection with functions transferred by this Act continue in effect
14 and may be continued and completed notwithstanding a transfer or amendment or repeal
15 provided for in this Act. Orders and regulations issued or adopted under authority of a law
16 amended or repealed by this Act remain in effect for the term issued, or until revoked,
17 vacated, or otherwise modified under the provisions of this Act. Contracts, rights, liabilities,
18 and obligations created by or under a law amended or repealed by this Act, and in effect on
19 the effective date of this section, remain in effect notwithstanding this Act's taking effect.
20 Records, equipment, appropriations, funds, and other property of boards or agencies of the
21 state whose functions are transferred under this Act shall be transferred to implement the
22 provisions of this Act.

23 * Sec. 119. The uncodified law of the State of Alaska is amended by adding a new section
24 to read:

25 TRANSITION: REGULATIONS. (a) The Department of Administration may
26 proceed to develop and adopt regulations required to implement this Act.

27 (b) Regulations adopted by the Department of Administration under this Act relate to
28 the internal management of a state agency, and the adoption of the regulations is not subject to
29 AS 44.62 (Administrative Procedure Act).

30 * Sec. 120. The uncodified law of the State of Alaska is amended by adding a new section
31 to read:

1 INSTRUCTION REGARDING ALASKA TEACHERS' RETIREMENT SYSTEM
2 BOARD, ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM BOARD, AND
3 ALASKA STATE PENSION INVESTMENT BOARD. Wherever in the Alaska Statutes and
4 the Alaska Administrative Code the terms "Alaska Teachers' Retirement System Board,"
5 "Alaska Public Employees' Retirement System Board," or "Alaska State Pension Investment
6 Board" are used, they shall be read as "Alaska Retirement Management Board" when to do so
7 would be consistent with the changes made by this Act.

8 * Sec. 121. The uncodified law of the State of Alaska is amended by adding a new section
9 to read:

10 SPECIFIC INSTRUCTIONS TO REVISOR OF STATUTES CONCERNING
11 SPECIFIC REFERENCES. (a) The revisor of statutes shall change references to "this
12 chapter" to "AS 14.25.009 - 14.25.220" in the following statutes: AS 14.25.040(b),
13 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),
14 14.25.105, 14.25.107, 14.25.110(k), 14.25.150(b), 14.25.153, 14.25.160(h), 14.25.165(f),
15 14.25.166, 14.25.177, 14.25.195, 14.25.200(b), 14.25.205, and 14.25.210, and in 14.25.220 in
16 each place that the phrase appears.

17 (b) The revisor of statutes shall change the reference to "board" to "administrator" in
18 the following statutes: AS 14.25.075 and 14.25.130(f).

19 (c) The revisor of statutes shall change the reference to "system" to "plan" in the
20 following statutes: AS 14.25.040(b), 14.25.040(c), 14.25.045, 14.25.047, 14.25.055,
21 14.25.060, 14.25.061(a), 14.25.062, 14.25.063(a), 14.25.065, 14.25.070, 14.25.075(c),
22 14.25.075(d), 14.25.075(g), 14.25.075(h), 14.25.075(i), 14.25.100(a), 14.25.105(c),
23 14.25.107, 14.25.110, 14.25.125(c), 14.25.143, 14.25.163, 14.25.165(i), 14.25.167(g),
24 14.25.168, 14.25.169, 14.25.173(a), 14.25.173(d), 14.25.181, 14.25.200, 14.25.210,
25 14.25.220(1), 14.25.220(4), 14.25.220(7), 14.25.220(14), 14.25.220(20), 14.25.220(22),
26 14.25.220(23), 14.25.220(31), 14.25.220(34), 14.25.220(36), 14.25.220(37), 14.25.220(42);
27 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),
28 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),
29 39.35.250, 39.35.280, 39.35.300(c), 39.35.310(a), 39.35.310(e), 39.35.340(a), 39.35.342(a),
30 39.35.342(d), 39.35.345(a), 39.35.345(d), 39.35.360(a), 39.35.360(g), 39.35.360(h),
31 39.35.360(k), 39.35.370(f), 39.35.370(h), 39.35.370(i), 39.35.370(j), 39.35.370(k),

1 39.35.371(i), 39.35.381(b), 39.35.381(g), 39.35.385(c), 39.35.400(e), 39.35.450(g),
2 39.35.475(a), 39.35.475(d), 39.35.500(a), 39.35.505, 39.35.520(a), 39.35.520(d),
3 39.35.522(d), 39.35.527(a), 39.35.527(b), 39.35.530, 39.35.535(a), 39.35.535(d), 39.35.550,
4 39.35.560, 39.35.570, 39.35.580, 39.35.590, 39.35.600, 39.35.610, 39.35.620(a),
5 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),
6 39.35.680(12), 39.35.680(15), 39.35.680(16), 39.35.680(17), 39.35.680(20),
7 39.35.680(21)(A), 39.35.680(29), 39.35.680(32), 39.35.680(33), and 39.35.680(35).

8 (d) The revisor of statutes shall change the reference to "board" to "commissioner" in
9 the following statutes: AS 39.35.290, 39.35.522(a), 39.35.522(b), and 39.35.522(d).

10 (e) The revisor of statutes shall change references to "this chapter" to "AS 39.35.095 -
11 39.35.680" in the following statutes: AS 39.35.165, 39.35.200, 39.35.250, 39.35.300,
12 39.35.340, 39.35.350, 39.35.360, 39.35.370, 39.35.371, 39.35.375, 39.35.381, 39.35.490,
13 39.35.495, 39.35.505, 39.35.530, 39.35.546, 39.35.547, 39.35.615(c), 39.35.620(e),
14 39.35.660, 39.35.675(b), 39.35.677, and 39.35.680.

15 (f) The revisor of statutes shall renumber AS 39.35.690 to follow AS 39.35.990.

16 * Sec. 122. The uncodified law of the State of Alaska is amended by adding a new section
17 to read:

18 IMPLEMENTATION OF SECTIONS 120 and 121 OF THIS ACT. Under
19 AS 01.05.031, the revisor of statutes shall implement secs. 120 and 121 of this Act in the
20 Alaska Statutes, and, under AS 44.62.125(b)(6), the regulations attorney shall implement secs.
21 120 and 121 of this Act in the administrative code.

22 * Sec. 123. Sections 11, 12, 14, 15, 18, 71 - 76, 89, 97, and 113 of this Act take effect
23 June 30, 2010.

24 * Sec. 124. Section 122 of this Act takes effect immediately under AS 01.10.070(c).

25 * Sec. 125. Except as provided in secs. 123 and 124 of this Act, this Act takes effect July 1,
26 2005.

UNIVERSITY OF ALASKA
Statewide Office of Human Resources

Comment of Fiscal Impact of Proposed University Amendments to the Optional
Retirement Program

April 5, 2005

With passage of this bill, as amended at the request of the University, it is anticipated that avoided cost up to \$200,000 can be achieved in FY06.

In subsequent years, subject to consultation and decision by the University's Board of Regents to modify the plan with added discretion provided by the bill, it is anticipated the cost avoidance will reach \$1 million per year, for cumulative cost avoidance nearing \$10 million over the next several years.

Respectfully Submitted by:



Jim Johnson
Vice President for Faculty and Staff Relations

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