

LEG. FINANCE - BILLS 1981 - 1982 1621

SB 121 cont. - CSSB 121

1621

1 calculating the benefit. Benefits payable under this subsection are ef-
2 fective the first day of the month following that in which eligibility
3 has been established.

4 * Sec. 50. AS 39.35.350(c) is repealed and reenacted to read:

5 (c) Any outstanding indebtedness that exists at the time an em-
6 ployee is appointed to retirement will necessitate an actuarial adjust-
7 ment to the benefits payable based on service reinstated under this sec-
8 tion.

9 * Sec. 51. AS 39.35.360(a) is amended to read:

10 (a) An employee employed before January 1, 1980, who completes
11 three years of credited service with the state after January 1, 1961,
12 for which the employee makes contributions required by this chapter is
13 entitled to credited service for service rendered (1) before January 1,
14 1961, as an employee of the state and former Territory of Alaska; (2)
15 before January 1, 1961, as an employee of the United States government
16 in Alaska, excluding service in the armed forces of the United States;
17 or (3) after January 1, 1961, as a peace officer, [OR] correctional
18 officer, or fireman of a participating political subdivision of the
19 state if the employee is vested and is an active peace officer, correc-
20 tional officer, or fireman in the system as of July 1, 1980. The retire-
21 ment benefits payable to an employee under this section shall be reduced
22 by the amount of the retirement pension benefits paid to him by the
23 United States government for the same period of service.

24 * Sec. 52. AS 39.35.360(b) is amended to read:

25 (b) An employee who, under (a) of this section, is entitled to
26 credited service for employment before January 1, 1961, is not required
27 to make retroactive contributions under this chapter.

28 * Sec. 53. AS 39.35.385(c) is amended to read:

29 (c) Credited service for which contributions were refunded is not

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1 creditable under this section unless the refunded contributions have
2 been repaid. For purposes of (a) and (b) of this section, a member or
3 former member does not have to be reemployed under this system in order
4 to pay refunded contributions. Compound interest at the rate prescribed
5 by regulation must be added to the reinstatement indebtedness from the
6 date of the refund to the date of repayment.

7 * Sec. 54. AS 39.35.385(d) is repealed and reenacted to read:

8 (d) The monthly amount of a conditional service retirement benefit
9 shall be calculated on the years of fully paid credited service in ac-
10 cordance with AS 39.35.370(c), except that the member may irrevocably
11 elect to substitute one-twelfth of the "average base salary" as defined
12 in AS 14.25.220(5) in place of average monthly compensation.

13 * Sec. 55. AS 39.35.420 is amended to read:

14 Sec. 39.35.420. NONOCCUPATIONAL DEATH BENEFITS. (a) If the death
15 of an employee occurs from nonoccupational causes after completing less
16 than one year of credited service, the employee's designated beneficiary
17 shall be paid the balance of [: (1)] the employee [EMPLOYEE'S] contri-
18 bution account [; AND (2) THE EMPLOYEE'S SAVINGS ACCOUNT]. If the death
19 of an employee occurs from nonoccupational causes after completing at
20 least one year but less than five years of credited service, a [LUMP
21 SUM] death benefit shall be paid to the employee's designated benefi-
22 cary [OF THE EMPLOYEE]. The amount of the [LUMP SUM] death benefit shall
23 be the amount set out in (c) of this section [\$100 TIMES YEARS OF CRED-
24 ITED SERVICE PLUS \$1,000. THE LUMP SUM DEATH BENEFIT IS IN ADDITION TO
25 THE BALANCE OF THE EMPLOYEE'S CONTRIBUTION ACCOUNT AND SAVINGS ACCOUNT].

26 (b) If the death of a vested member or deferred vested member oc-
27 curs from nonoccupational causes and the member designated no person
28 other than the surviving spouse as beneficiary to receive nonoccupational
29 death benefits, the surviving spouse may elect to [AT HIS OR HER DIS-

1 CRETION] receive either the amounts set out in (c) [BENEFITS DESCRIBED
2 IN (a)] of this section or a 50 percent joint and survivor option based
3 upon credited service to the date of the employee's death or termina-
4 tion. Benefits accrue from the first day of the month following the em-
5 ployee's death and are payable the last day of the month.

6 (c) If a vested or deferred vested member designates as benefici-
7 ary someone other than the surviving spouse to receive nonoccupational
8 death benefits, the designated beneficiary shall be paid: (1) the bal-
9 ance of the deceased member's employee contribution account; and (2) a
10 lump sum death benefit. The amount of the lump sum death benefit is
11 \$100 times the years of credited service of the deceased member plus
12 \$1,000.

13 * Sec. 56. AS 39.35.430(b) is amended to read:

14 (b) If (1) the death of an employee occurs before his retirement
15 and before his normal retirement date, and (2) the proximate cause of
16 death is a bodily injury sustained or a hazard undergone while in the
17 performance and within the scope of his duties, and (3) the injury or
18 hazard is not the proximate result of wilful negligence of the employee,
19 a monthly survivor's pension equal to 40 percent of his monthly compen-
20 sation in the month in which he dies shall be paid to his surviving
21 spouse. If there is no surviving spouse or if the spouse later dies,
22 the monthly survivor's pension shall be paid in equal parts to the
23 dependent children of the employee. On the date the normal retirement
24 of the employee would have occurred if he had lived, monthly payments
25 shall equal the monthly amount of the normal retirement benefit to which
26 the employee, had he lived and continued his employment until his normal
27 retirement date, would have been entitled with an average monthly compen-
28 sation as existed at his death and the credited service to which he
29 would have been entitled.

1 * Sec. 57. AS 39.35.430 is amended by adding a new subsection to read:

2 (f) If the death of an employee occurs from occupational causes
3 but no surviving spouse or dependent children exist at the time of the
4 death or if the employee designates as beneficiary someone other than
5 the surviving spouse or dependent children, the employee's designated
6 beneficiary is entitled to receive those benefits available to a benefi-
7 ciary under AS 39.35.420(c) and no occupational death benefit will be
8 paid to the surviving spouse or dependent children. If the designated
9 beneficiary is the surviving spouse or dependent children, the bene-
10 ficiary shall receive the benefit described in (b) of this section.

11 * Sec. 58. AS 39.35.440(b) is amended to read:

12 (b) Upon the death of a disabled employee who is receiving or is
13 entitled to receive an occupational disability benefit, a surviving
14 spouse's pension equal to 40 percent of the employee's [HIS AVERAGE]
15 monthly compensation at the termination of employment because of occupa-
16 tional disability shall be paid to the [HIS] surviving spouse. If there
17 is no surviving spouse, the survivor's pension shall be paid in equal
18 parts to the dependent children of the employee. On the date the normal
19 retirement of the employee would have occurred if the employee [HE] had
20 lived, monthly payments shall equal the monthly amount of the normal re-
21 tirement benefit to which the employee, had the employee [HE] lived and
22 continued [HIS] employment until the employee's [HIS] normal retirement
23 date, would have been entitled with an average monthly compensation as
24 existed at [HIS] death and the credited service to which the employee
25 [HE] would have been entitled. If the death of an employee occurs from
26 occupational causes but no surviving spouse or dependent children exist
27 at the time of the death, or if the employee designates as beneficiary
28 someone other than the surviving spouse or dependent children, the em-
29 ployee's designated beneficiary shall be paid those benefits available

1 to a beneficiary under AS 39.35.420(c) and no occupational death benefit
2 will be paid to the surviving spouse or dependent children.

3 * Sec. 59. AS 39.35.460 is amended to read:

4 Sec. 39.35.460. LEVEL INCOME OPTION. If the payment of a [AN EAR-
5 LY] retirement pension begins before age 65 [THE EARLIEST AGE AS OF
6 WHICH THE EMPLOYEE BECOMES ELIGIBLE FOR A PRIMARY SOCIAL SECURITY BENE-
7 FIT], the amount of pension payable before and after that age ~~may~~ be ad-
8 justed so that an increased amount will be paid before the time that
9 full social security benefits become available and a reduced amount af-
10 ter that time, so that the employee may [WILL] receive a more level [RE-
11 TIREMENT] income for life. The aggregate value of all adjusted payments
12 may [, HOWEVER, SHALL] not exceed the actuarial equivalent of the value
13 of the pension otherwise payable to the employee.

14 * Sec. 60. AS 39.35.475(b) is amended to read:

15 (b) The amount of the increase in benefit payments may not exceed
16 the lesser [GREATER] of

17 (1) the increase in the cost of living since the date of re-
18 tirement; or

19 (2) four percent of the retirement benefit compounded for each
20 year of retirement.

21 * Sec. 61. AS 39.35.485(a) is amended to read:

22 (a) An employee who is eligible for a benefit calculated in accor-
23 dance with AS 39.35.370(c) is entitled to a benefit of at least \$25 a
24 month for each year of credited service, not including adjustments made
25 under AS 39.35.340 for military service, AS 39.35.350 for reinstatement
26 of credited service, AS 39.35.360 for credit for earlier service, AS 39.
27 35.370(c) for early retirement, AS 39.35.420 for nonoccupational death
28 benefits [AS 39.35.380, 39.35.410], AS 39.35.450 for the survivor's op-
29 tion, AS 39.35.460 for the level income option, AS 39.35.475 for the

1 post-retirement pension adjustment, and AS 39.35.480 for the cost of
2 living.

3 * Sec. 62. AS 39.35.490(a) is amended to read:

4 (a) Each employee shall designate the beneficiary or beneficiaries
5 to whom benefits payable under this chapter as a consequence of his
6 death [UNDER AS 39.35.200 - 39.35.240 AND AS 39.35.420 - 39.35.440] shall
7 be distributed.

8 * Sec. 63. AS 39.35.522(a) is amended to read:

9 (a) Upon appeal by an affected member or beneficiary under (b) of
10 this section, the board may waive an adjustment or any portion of an ad-
11 justment made under AS 39.35.520 if, in the opinion of the board,

12 (1) the adjustment or portion of the adjustment will [, IN
13 THE OPINION OF THE BOARD,] cause undue hardship to the member or bene-
14 ficiary;

15 [(2) THE MEMBER IS RETIRED OR HAS SUBMITTED NOTIFICATION OF
16 IMPENDING RETIREMENT TO HIS EMPLOYER TO BE EFFECTIVE NO LATER THAN 180
17 DAYS AFTER THE ADJUSTMENT WAS MADE, OR THE BENEFICIARY WAS ELIGIBLE TO
18 RECEIVE OR WAS RECEIVING BENEFITS UNDER THIS CHAPTER BEFORE THE ADJUST-
19 MENT;

20 (3) THE ADJUSTMENT WILL RESULT IN A LOSS OF ELIGIBILITY FOR
21 BENEFITS FOR THE MEMBER OR BENEFICIARY OR RESULT IN A REDUCTION OF BENE-
22 FITS BEING RECEIVED BY THE MEMBER OR BENEFICIARY OF \$50 PER MONTH OR
23 MORE;]

24 (4) the adjustment was not the result of erroneous informa-
25 tion supplied by the member or beneficiary;

26 (5) before the adjustment was made, the member or beneficiary
27 received confirmation from the administrator that his records were cor-
28 rect; and

29 (6) the member or beneficiary had no reasonable grounds to

1 believe his records were incorrect before the adjustment was made.

2 * Sec. 64. AS 39.35.530 is amended to read:

3 Sec. 39.35.530. LIMIT ON PENSION. No employee may simultaneously
4 receive a pension under more than one section of this chapter. However,
5 benefits under AS 39.35.420(b), 39.35.430, 39.35.440 and 39.35.450 shall
6 be paid in addition to the benefits or service credit a person is enti-
7 tled to receive because of the person's own membership in the retirement
8 system. An employee may not (1) receive duplicate credit under this
9 system for the same period of service, (2) receive more than one year of
10 service credit in the course of any calendar year, or (3) receive a
11 benefit while accruing service credit under this system except as pro-
12 vided in this section.

13 * Sec. 65. AS 39.35.535 is repealed and reenacted to read:

14 Sec. 39.35.535. MEDICAL BENEFITS. (a) The following persons are
15 entitled to major medical insurance coverage:

16 (1) a person receiving a monthly benefit from the system:

17 (2) the spouse of a person receiving a monthly benefit from
18 the system;

19 (3) a natural or adopted child of a person receiving a month-
20 ly benefit from the system, if the child is a dependent child under
21 AS 39.35.680(11).

22 (b) Major medical insurance coverage takes effect on the same date
23 as retirement benefits begin, and stops when the retired employee or
24 survivor is no longer eligible to receive a monthly benefit. The cover-
25 age for persons age 65 or older is the same coverage available for a
26 person under 65. The benefits payable to those persons age 65 or older
27 supplement any benefits provided under the federal old age, survivors
28 and disability insurance program.

29 * Sec. 66. AS 39.35 is amended by adding a new section to read:

1 Sec. 39.35.541. ACTUARIAL REDUCTION OF BENEFIT. If, as a result
2 of service credit claimed for which there is a corresponding indebted-
3 ness existing at retirement, the member's retirement benefit is actuar-
4 ially reduced and the resultant benefit is less than it would have been
5 if the service credit had not been claimed, the retirement benefit shall
6 be equal to the amount it would have been had the service credit not
7 been claimed.

8 * Sec. 67. AS 39.35.560 is amended to read:

9 Sec. 39.35.560. REQUEST BY PUBLIC ORGANIZATION TO PARTICIPATE AND
10 ADOPTION OF RESOLUTION. A public organization [CREATED WHOLLY OR PARTLY
11 BY, OR DERIVING ITS POWERS FROM, THE LEGISLATURE OF THE STATE] may re-
12 quest to become an employer in this system. The request shall be made
13 after adoption of a resolution by the governing body of the public orga-
14 nization. A certified copy of the resolution shall be filed with the
15 administrator. If the administrator approves the request for participa-
16 tion, the public organization is an employer of the system.

17 * Sec. 68. AS 39.35.615(a) is amended to read:

18 (a) A political subdivision or public organization may request
19 that its participation agreement be amended. The request may be made
20 only after adoption of a resolution by the legislative body of the po-
21 litical subdivision and approval of the resolution by the person re -
22 quired by law to approve the resolution, or, in the case of a public or-
23 ganization, after adoption of a resolution by the governing body of that
24 public organization. A certified copy of the resolution shall be filed
25 with the administrator. If a political subdivision or public organiza-
26 tion amends its participation agreement so as to terminate coverage of a
27 department, group, or other classification of employees, each employee
28 whose coverage is so terminated, regardless of his employment status at
29 the date of termination, shall be considered fully vested in his actuar-

1 ially adjusted accrued retirement benefits as of the date of termina-
2 tion, unless his contributions have been refunded.

3 * Sec. 69. AS 39.35.615(c) is amended to read:

4 (c) Each employee who elects to obtain a refund shall receive a
5 refund of the balance of [(1)] his employee contribution account [AND
6 (2) HIS EMPLOYEE SAVINGS ACCOUNT]. The vesting in accrued benefits for
7 each employee who elects to obtain a refund is voided upon his receipt
8 of the refund, and the corresponding credited service may not be rein-
9 stated under this chapter. A partial refund may not be allowed under
10 this section.

11 * Sec. 70. AS 39.35.620(e) is amended to read:

12 (e) Each employee who elects to obtain a refund shall receive a
13 refund of the balance, determined as of the date of his employer's ter-
14 mination of participation, of [(1)] his employee contribution account
15 [AND (2) HIS EMPLOYEE SAVINGS ACCOUNT]. The vesting in accrued benefits
16 for each employee who elects to receive a refund is voided upon his re-
17 ceipt of his refund and corresponding credited service may not be rein-
18 stated under this chapter. No partial refund may be allowed under this
19 section.

20 * Sec. 71. AS 39.35.680(8) is amended to read:

21 (8) "compensation" means the total remuneration earned by an
22 employee for personal services rendered, including cost-of-living dif-
23 ferentials, payments for leave that is actually used by the employee,
24 the amount by which the employee's wages are reduced under AS 39.30.-
25 150(c), and any amount deferred under an employer-sponsored deferred
26 compensation plan, but does not include retirement benefits, welfare
27 benefits, per diem, expense allowances, workers' compensation payments
28 or payments for [MEDICAL LEAVE OR ANNUAL] leave not used by the employee
29 whether those leave payments are scheduled payments, lump-sum payments,

1 donations or cash-ins;

2 * Sec. 72. AS 39.35.680(13) is amended to read:

3 (13) "early retirement" means retirement for a member who is
4 not eligible for normal retirement and who is at least 50 years old and
5 is eligible to receive benefits under AS 39.35.370(b) or under AS 39.35.
6 385(b) or (f) [HAS A MINIMUM OF FIVE YEARS CREDITED SERVICE];

7 * Sec. 73. AS 39.35.680(15) is amended to read:

8 (15) "employee contribution account" means the total [ACCOUNT]
9 maintained by the system of [TO RECORD] the employee's mandatory contri-
10 butions , voluntary contributions, indebtedness principal, and interest
11 contributions, interest credited to each of those accounts, [OF EACH EM-
12 PLOYEE, INCLUDING INTEREST] and adjustments to the accounts [ACCOUNT] in
13 accordance with AS 39.35.100;

14 * Sec. 74. AS 39.35.680(21)(C) is amended by adding a new subparagraph to
15 read:

16 (viii) members of the elected public officers' retire-
17 ment system (former AS 39.37);

18 * Sec. 75. AS 39.35.680(25) is amended to read:

19 (25) "normal retirement" means retirement for a member who is
20 eligible to receive benefits under AS 39.35.370(a) or under 39.35.385(a)
21 or (f) [AT LEAST 55 YEARS OLD AND HAS A MINIMUM OF FIVE YEARS CREDITED
22 SERVICE, OR WHO IS ANY AGE AND HAS 30 YEARS OR MORE OF CREDITED SERVICE,
23 OR A PEACE OFFICER OR FIREMAN WHO IS ANY AGE AND HAS 20 YEARS OR MORE OF
24 CREDITED SERVICE];

25 * Sec. 76. AS 39.35.680 is amended by adding a new paragraph to read:

26 (39) "public organization" means an organization or entity
27 (A) created by the constitution or laws of the state for
28 the purpose of administering state programs;
29 (B) whose officers and employees are paid by a method

1 other than by the state payroll prepared by the Department of Ad-
2 ministration; and

3 (C) whose employees are not required by law to partici-
4 pate in the system.

5 * Sec. 77. AS 39.35.020(5)(D), 39.35.470, and 39.35.540 are repealed.

6 * Sec. 78. A retired member or former member of the Alaska National Guard
7 or Alaska Naval Militia on July 1, 1982, or his beneficiary is eligible for
8 any increase in the retirement pension payable under AS 26.05.222 - 26.05.227
9 resulting from the amendments to AS 26.05 (Alaska National Guard and Alaska
10 Naval Militia retirement system) in secs. 33 - 39 of this Act.

11 * Sec. 79. Notwithstanding AS 26.05.226(a), the Department of Military
12 Affairs shall determine the amount necessary to fund until July 1, 1984, the
13 increases in benefits resulting from the amendments in secs. 33 - 39 of this
14 Act.

15 * Sec. 80. This Act takes effect July 1, 1982.

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THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. Senate Bill 121
 Title An Act Authorizing Credited Service Under PERS for Certain Firemen
 Requested by Senator Vic Fischer Date _____

II. FISCAL DETAIL

Agency Affected Administration - Division of Retirement and Benefits
 Program Category Affected Labor Services
 BRU, Program, or Subprogram(s) Affected 02-96-8-01-01 (PERS)
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 STATE TRS MATCHING						
100 BENEFITS	-0-	16.9	18.6	20.4	22.5	24.7
TOTAL	-0-	16.9	18.6	20.4	22.5	24.7

FUNDING (Thousands of Dollars)

GENERAL FUND		13.8	15.2	16.7	18.4	20.2
FEDERAL FUNDS		.8	.9	.9	1.0	1.1
VETERAN'S FUND		.1	.1	.1	.1	.1
FISH & GAME FUND		.1	.1	.1	.1	.2
HIGHWAY FUND		.2	.2	.3	.3	.3
AIRPORT FUND		.5	.5	.6	.7	.7
CAPITAL FUND		1.4	1.6	1.7	1.9	2.1
PERS						
TRS						

POSITIONS NONE

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

1. Estimate that approximately 18 members could qualify for benefits under this bill.
2. Estimate that these members will receive an average of two years additional service credit under this bill.
3. Estimate FY 82 State covered payroll to be \$296,614,000; increasing 10% annually.
4. Increase in State contribution rate would be .0057% of covered payroll.

IV. DATE April 7, 1981 PREPARED BY John A. Logan Paul R. Arnoldt, Director
 AGENCY Division of Retirement & Benefits
 PHONE 465-4460

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named) Senator Ray
 Office of the Governor (Keith Specking)

Introduced: 1/30/81
Referred: State Affairs and
Finance

1 IN THE SENATE

BY RAY

2 SENATE BILL NO. 121

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act authorizing credited service under the public
7 employees' retirement system for certain firemen."

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

9 * Section 1. AS 39.35.360(a) is amended to read:

10 (a) An employee employed before January 1, 1980, who completes
11 three years of credited service with the state after January 1, 1961,
12 for which the employee makes contributions required by this chapter is
13 entitled to credited service for service rendered (1) before January
14 1, 1961, as an employee of the state and former Territory of Alaska;
15 (2) before January 1, 1961, as an employee of the United States govern-
16 ment in Alaska, excluding service in the armed forces of the United
17 States; or (3) after January 1, 1961, as a peace officer, [OR] correc-
18 tional officer, or fireman of a participating political subdivision of
19 the state if the employee is vested and is an active peace officer,
20 correctional officer, or fireman in the system as of July 1, 1980. The
21 retirement benefits payable to an employee under this section shall be
22 reduced by the amount of the retirement pension benefits paid to him by
23 the United States government for the same period of service.

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THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. AS for Senate Bill 121 (Rules)
Title An Act Relating to Refunds, Retirement & Benefits in TRS, PERS, JRS and NGRS
Requested by _____ Date _____

II. FISCAL DETAIL

Agency Affected Administration - Division of Retirement & Benefits
Program Category Affected Centralized Administrative Services & Secondary Education
BRU, Program, or Subprogram(s) Affected Retirement & Benefits
(Note: If more than one budget component is affected, separate line-item amounts and
funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES						
100 RETIREMENT BENEFITS		63.7	65.7	67.9	70.3	72.9
200 TRAVEL						
300 CONTRACTUAL		10.0	10.0	10.0	10.0	10.0
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		73.7	75.7	77.9	80.3	82.9

FUNDING (Thousands of Dollars)

GENERAL FUND		52.1	53.8	55.6	57.5	59.7
FEDERAL FUNDS		2.9	2.9	3.0	3.2	3.3
VETERAN'S FUND		2	2	2	2	2
FISH & GAME FUND		5	5	5	5	5
HIGHWAY FUND		.9	.9	.9	.9	.9
AIRPORT FUND		1.8	1.9	2.0	2.1	2.1
CAPITAL FUND		5.3	5.5	5.7	5.9	6.2
PERS		5.0	5.0	5.0	5.0	5.0
TRS		5.0	5.0	5.0	5.0	5.0

POSITIONS NONE

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

1. Estimate \$10,000 annually for compensation of physicians and travel and per diem for Disability Review Board members. These expenses are to be split equally between the PER and TRS.
2. Estimate that approximately 18 members could qualify for benefits under section 44 of this bill. Estimate that these members will receive an average of two years additional service credit under this bill. Estimate FY83 State covered payroll to be \$345,475,000, increasing 2% annually. Increase in State contribution rate would be .0057% of covered payroll.
3. It is estimated that 10 people will qualify under section 70 of this bill. The total present value for retroactive and future benefit payments is estimated to be \$510,000; or \$44,000 per year, amortized over 25 years.

IV. DATE May 12, 1982 PREPARED BY Paul B. Arnoldt, Director
 AGENCY Division of Retirement & Benefits
 Original: Legislative Finance PHONE 465-4460
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)
 Office of the Governor (Keith Specking)

SECTIONAL ANALYSIS OF CS FOR SENATE BILL 121 (RULES)

- Sections 1-3 would amend AS 14.25.020, 14.25.022, and 14.25.035 to state clearly the role of the Teachers' Retirement Board in the adoption and promulgation of regulations. The change makes the role of the TRS Board in this area identical to that of the Public Employees' Retirement Board. Under the existing language, the system administrator functions in this capacity without any clear mandate that he consult the Board.
- Sections 4, 13-14 and 17-19 would alter the death/survivor benefit provisions of the TRS. Specifically, the supplemental contributions provision would be eliminated for all teachers hired on or after July 1, 1982, open enrollment for the supplemental contributions provision would be eliminated, and equitable occupational and nonoccupational death benefits and joint and survivor options, such as currently exist in the PERS, would be created. The change works no impairment of accrued rights since it affects only those who first join the system on or after July 1, 1982. In addition, Section 19 creates a procedure for the designation of beneficiaries under the TRS which is identical to that in the PERS. This should substantially reduce uncertainty as to entitlement in the event of the death of a member.
- Section 5 would amend the manner of discharging indebtedness under the TRS to bring it into conformity with the PERS.
- Sections 6 and 59 would ensure that, in accordance with the Alaska Constitution, accrued benefits under the TRS and PERS may not be diminished by claiming service credit.
- Section 7 would bring the statutes into conformity with current practice. The sentence in question was inadvertently omitted when the TRS statutes were amended by Chapter 13, SLA 1980.
- Section 8 corrects statutory references. These references should have been changed at the time the TRS statutes were amended by Chapter 13, SLA 1980.
- Section 9 would amend the provisions for Conditional Service Retirement Benefits to allow a member (1) to use his PERS salary if it is higher than his TRS salary, and (2) to figure his conditional service benefit based on all credited service rather than just membership service.
- Section 10 would amend AS 14.25.130(a) to streamline the disability retirement application procedure. It provides a definite starting point in the procedure by setting as the first step the termination of employment due to the disability. Additionally, it resolves an existing inequity wherein a member has enough years of membership service to qualify for disability but is over 55 and does not

qualify for normal retirement. Under present law, such an individual would be in a "Catch-22" situation -- disabled and unable to work, but needing to work to gain the necessary credit to qualify for normal retirement and being too old to qualify for disability.

- Sections 11 and 53 would correct drafting errors in AS 14.25.143(b) and AS 39.35.475(b) committed two years ago. In the ceiling formula for pension adjustments, it changes "greater" to "lesser." This is not a substantive change in the law since it has always been within the administrator's discretion to grant as small an increase as fiscal prudence dictates.
- Sections 12 and 25 would amend the refund provisions of the TRS to conform with current practice and allow for the refunding of interest paid on an indebtedness. "Member contribution account" is defined to include all of the other accounts.
- Section 15 would amend AS 14.25.160(b)(1) to agree with the changes in Sections 12 and 25 of this bill.
- Section 16 would eliminate an existing inequity by amending AS 14.25.162(b)(1) to allow a dependent child to interrupt his schooling without permanently losing his survivor's allowance payment.
- Sections 20, 30, and 58 would conform the statutes to the longstanding practice of providing major medical insurance coverage to spouses and dependent children of retirees, as well as retirees themselves in the TRS, the PERS and the contributory and noncontributory Judicial Retirement Systems.
- Section 21 adds the appropriate statutory references to AS 14.25.169 to be in agreement with the death/survivor benefit changes in Sections 4, 13-14 and 17-19 of this bill. In addition, Section 21 puts into law three previously unwritten principles of equity which have been at the heart of the TRS since its inception: a teacher may not receive 1) duplicate TRS credit for the same period of service; 2) more than one year of credit during a school year; or 3) benefits while accruing service credit except as provided in AS 14.25.169.
- Sections 22 and 56 amend AS 14.25.175(a) and AS 39.35.522(a), respectively, to eliminate arbitrary, potentially detrimental requirements which must be met by persons wishing to appeal before the TRS or PERS Board.
- Sections 23 and 64 would clarify what is and is not included in "compensation" for purposes of retirement in the TRS and PERS. This language is consistent with longstanding practice and does not constitute a change.
- Section 24 expands the definition of "credited service" to include "territorial employment" as provided under AS 14.25.105 which should have been done in 1980 when AS 14.25.105 was passed.

- Section 26 defines "territorial employment" as it is used in Section 24.
- Section 27 exempts insurance premiums paid by the State from the tax levied under AS 21.09.210. This does not have any ultimate fiscal impact since the premium taxes are passed on. It will serve to increase competition among insurance carriers.
- Sections 28, 29, 33 and 34 would add new sections to AS 22.25 and AS 26.05. The sections, which should have been added when the statutes were amended by Chapter 146, SLA 1980, set up accounting systems for the Judicial Retirement System and the Alaska National Guard Retirement System which are now on an actuarially funded basis. The sections are modeled after the one in place in the PERS, AS 39.35.100. The money in the funds may be invested in the same manner as money in the PERS, AS 39.35.110.
- Sections 31 and 32 would change the title of the Alaska National Guard Retirement System to the Alaska National Guard and Alaska Naval Militia Retirement System.
- Section 35 would clarify the direction in AS 39.30 to the Department of Administration to include retired persons in the group insurance program. Also clarifies AS 39.30.090(9) in two respects: first, it deletes the provision for major medical insurance coverage for retirees since such coverage is now provided elsewhere; second, it provides that retirees under age 65 may continue the life insurance they have in force at the time of termination of their employment.
- Section 36 would create a group insurance fund. It is included at the urging of the State's benefit consultants. The existence of a fund will provide the flexibility needed to negotiate for and procure more favorable terms from insurance companies. Our consultants inform us that such added flexibility has led to substantial savings in other systems. Any surplus in the fund may be invested by the Commissioner of Revenue under AS 39.35.110.
- Section 37 accomplishes a badly needed reform of disability evaluation procedures by creating an expert board to evaluate claims and the claimant's ability to perform other work.
- Section 38 removes outdated, irrelevant language from the PERS statutes.
- Sections 39 and 40 would make minor changes in AS 39.35.100. The first change recognizes that actuarial calculations and transfers from individual retirement accounts to the retirement reserve account can be accomplished more effectively on an aggregate, annual basis. This will not delay the actual payment of benefits to retirees. The second change allocates a portion of the investment income to the reserve account. This is considered appropriate since a substantial portion of the principal invested comes from the reserve account.

- Sections 41, 62, 63 and 66 would amend the refund provisions of the PERS to allow for the refunding of interest paid on an indebtedness. In addition, Section 41 would also amend AS 39.35.200(b) to eliminate a "Catch-22" situation. Currently, persons who terminate their employment having less than five years credited service and less than \$1,000 in their employee account must be given a refund of retirement contributions even if they intend to retire later; when they do retire at a later date, they must repay the refunded contributions with interest. This proposed change would allow the employee the option of leaving the employee contributions in the individual account.
- Section 42 would entitle an additional group of surviving spouses to an increased benefit based on the deceased spouse's military service. Currently, surviving spouses receiving a monthly benefit from the system under AS 39.35.440 or 39.35.450 are entitled to this additional benefit. However, surviving spouses of members who die as a proximate result of an injury sustained or a hazard undergone while on the job (AS 39.35.430) are not. This section would correct this oversight and extend the additional benefit to this group of surviving spouses.
- Section 43 would amend AS 39.35.350(c) to bring it into conformity with the rest of the PERS statutes regarding the manner of discharging an indebtedness.
- Section 44 allows vested PERS members to receive credit for their employment as a fireman with a participating political subdivision after January 1, 1961.
- Section 45 clarifies AS 39.35.360(b) to ensure that pre-1961 service credit is granted free of charge only to those employees who qualify under AS 39.35.360(a). This is consistent with current practice.
- Section 46 clarifies AS 39.35.385 to ensure that the provision allowing reinstatement without reemployment applies only to paragraphs (a) and (b) and not to, for example, paragraph (f) which was added after the fact. This is not viewed as a substantive change.
- Section 47 would amend Conditional Service Retirement Benefits to allow a member to use his TRS salary if it is higher than his PERS salary.
- Sections 48-50 would clarify the entitlement to death benefits when there is no surviving spouse or when a beneficiary other than the spouse has been designated. It would provide for the benefit to be paid to the deceased member's designated beneficiary. In addition, Section 48 would change the benefit reference in AS 39.35.420(b) because the description of the benefit is now found in subsection (c) of the section instead of in subsection (a). The amount of the benefit is not changed.
- Section 51 would conform AS 39.35.440(b) to division practice. As the

current law reads, a surviving spouse of a deceased, disabled employee is entitled to a benefit equal to 40 percent of the decedent's monthly compensation. It was not anyone's intent that the surviving spouse receive 40 percent of the relatively low disability benefit; it was intended that the surviving spouse receive 40 percent of the decedent's compensation before the disability. The amendment clarifies this. Section 51 would also provide for the disposition of death benefits in the event that a deceased member has no surviving spouse or dependent children, in which case a death benefit is paid to the designated beneficiary.

- Section 52 would clarify the administration of the level income option under AS 39.35.460. In practice, it is not possible to predict exactly the amount of the eventual social security benefit or to make the income precisely level.
- Section 54 removes outdated statutory references from AS 39.35.485(a) and adds appropriate statutory references to bring the law into conformity with current practice. This is not viewed as a substantive change.
- Section 55 updates incomplete statutory references; the designation of a beneficiary or beneficiaries is applicable to all benefits throughout the chapter.
- Section 57 puts into law three previously unwritten principles of equity which have been at the heart of the PERS since its inception: an employee may not receive 1) duplicate PERS credit for the same period of service; 2) more than one year of credit during a calendar year; or 3) benefits while accruing service credit except as provided in AS 39.35.530.
- Section 60 would delete from AS 39.35.560 a definitional reference to "public organization." That term is now defined in Section 69 of this bill, AS 39.35.680(39).
- Section 61 amends AS 39.35.615(a) to codify the procedure for amendment of participation agreements with political subdivisions. Its terms are consistent with the opinion of the Attorney General that, since the original participation agreement must be endorsed by the governing body of the political subdivision, amendments to it must also be approved by that body.
- Section 65 clarifies the definition of "early retirement" and includes the appropriate statutory references.
- Section 67 excludes EPORS members from membership in the PERS.
- Section 68 clarifies the definition of "normal retirement" and includes the appropriate statutory references.
- Section 69 defines "public organization."

Section 70 makes the 1976 repeal of AS 39.35.545 retroactive to July 1, 1968, to allow members to draw a retirement benefit and a survivor benefit.

Section 71 repeals obsolete laws.

Section 72 provides an effective date.

COMMITTEE REPORT

HOUSE

FURTHER:

(11)

5/14/82

Date: 5-26-82

Mr. Speaker: (Labor & Commerce
waived 5/13/82)

The Committee on Finance has had CSSB 121(RIs)

"An Act relating to teachers', judicial, national guard, and public e employees retirement systems; and to group insurance for public employees and persons retired under those retirement systems; creating the Public Employees' and Teachers' Disability Review Board; and providing for an effective date."
under consideration and reports it back as follows:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for CSSB 121 (FIN) same title new title
- and recommends no recommendation
- AND attaches a "Letter of Intent" ~~New~~ Fiscal Note
- reports it back without recommendation 734.2
- referred to the _____ Committee

**MEMBERS SIGNING
DO PASS**

[Signature]

[Signature]

[Signature]

[Signature]

**MEMBERS HAVING
OTHER RECOMMENDATIONS:**

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

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[Signature]

[Signature]
CHAIRMAN

TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. Proposed House CS for CSSB 121 (Finance)
 Title An Act Relating to Refunds, Retirement & Benefits in TRS, PERS, JRS and NGRS
 Requested by _____ Date _____

II. FISCAL DETAIL

Agency Affected Administration - Division of Retirement & Benefits
 Program Category Affected Centralized Administrative Services & Secondary Education
 BRU, Program, or Subprogram(s) Affected Retirement & Benefits
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)
EXPENDITURES (Thousands of Dollars).

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES						
100 RETIREMENT BENEFITS		94.2	97.9	102.0	106.5	111.5
200 TRAVEL						
300 CONTRACTUAL		45.0	10.0	10.0	10.0	10.0
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
700 STATE TRS MATCHING		95.0	104.5	114.9	126.4	139.0
TOTAL		234.2	212.4	226.9	242.9	260.5

FUNDING (Thousands of Dollars)

GENERAL FUND		175.3	188.2	202.3	217.8	235.0
FEDERAL FUNDS		.5	3.6	3.7	3.8	3.9
VETERAN'S FUND		.2	.2	.2	.2	.2
FISH & GAME FUND		.5	.5	.5	.5	.5
HIGHWAY FUND		1.0	1.0	1.1	1.1	1.1
AIRPORT FUND		2.2	2.3	2.3	2.4	2.5
CAPITAL FUND		6.5	6.6	6.8	7.1	7.3
PERS		5.0	5.0	5.0	5.0	5.0
TRS		5.0	5.0	5.0	5.0	5.0
PROGRAM RECEIPTS (SBS)		35.0				

DRAFT

POSITIONS	NONE					
FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

1. Estimate \$10,000 annually for compensation of physicians and travel and per diem for Disability Review Board members. These expenses are to be split equally between the PERS and TRS.
2. Estimate that approximately 18 members could qualify for benefits under section 48 of this bill. Estimate that these members will receive an average of two years additional service credit under this bill. Estimate FY83 State covered payroll to be \$345,475,000, increasing 10% annually. Increase in State contribution rate would be .0057% of covered payroll.
3. It is estimated that 10 people will qualify under section 74 of this bill. The total present value for retroactive and future benefit payments is estimated to be \$510,000; or \$44,000 per year, amortized over 25 years.
4. Estimate that 100 teachers will receive 5 additional years of service credit under section 8. Estimated increase in TRS contribution rate of .0641% of covered payroll (TRS contribution is split 50/50 between the State matching contribution and the school district contribution. Estimate FY83 TRS covered payroll @ \$296,962,000.

NOTE: This draft shows the total costs to PERS and TRS for this proposed bill. The final version will contain additional pages with a breakdown of specific costs.

IV. DATE May 20, 1982. PREPARED BY _____
 AGENCY Division of Retirement & Benefits
 Original: Legislative Finance PHONE 465-4460
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)
 Office of the Governor (Keith Specking)

*
DRAFT

Asper
5/25/82 -

Original sponsor: Ray

1 IN THE SENATE BY THE FINANCE COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 121 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to teachers', judicial, national
7 guard, and public employees' benefits; creating the
8 Public Employees' and Teachers' Disability Review
9 Board; and providing for an effective date."

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

11 * Section 1. AS 14.25.020(a)(1) is repealed and reenacted to read:

12 (1) formulate and recommend to the Alaska Teachers' Retire-
13 ment Board regulations to govern the operation of the system;

14 * Sec. 2. AS 14.25.022 is amended to read:

15 Sec. 14.25.022. REGULATIONS. Regulations adopted [PROMULGATED] by
16 the Alaska Teachers' Retirement Board [ADMINISTRATOR] under this chapter
17 [AS 14.25.010 - 14.25.220] relate to the internal management of a state
18 agency and their adoption is not subject to the Administrative Procedure
19 Act (AS 44.62).

20 * Sec. 3. AS 14.25.035 is amended by adding a new subsection to read:

21 (i) The board may adopt regulations recommended by the admin-
22 istrator to implement this chapter with modifications it considers
23 proper.

24 * Sec. 4. AS 14.25.055 is amended to read:

25 Sec. 14.25.055. SUPPLEMENTAL CONTRIBUTIONS BY TEACHERS. If a
26 teacher first joined the system before July 1, 1982, and is married or
27 has a minor child and wishes to make his spouse or minor child eligible
28 for a spouse's pension or a survivor's allowance, the teacher [HE] may
29 elect to make a supplemental contribution of an additional one percent

1 of his base salary within 90 days of his entry into participation in the
2 system, or within 90 days of his marriage, or within 90 days of the
3 birth or adoption of a child dependent upon him [, OR DURING ANY OPEN
4 ENROLLMENT PERIOD AUTHORIZED BY THE TEACHERS' RETIREMENT SYSTEM BOARD].
5 Once an election is made under this section, supplemental contributions
6 must be made whenever contributions are required under AS 14.25.050
7 unless the teacher executes a written waiver with the administrator.
8 The execution of a waiver relinquishes all rights and benefits previously
9 accrued under AS 14.25.162 and 14.25.164.

10 * Sec. 5. AS 14.25.060(c) is amended to read:

11 (c) The total military service claimed may not exceed five years.
12 The combined total of outside and military service may not exceed 10
13 years, except that, if entry into the armed forces is immediately
14 preceded by membership service and within one year after discharge
15 is continued by membership service, that service will not be counted
16 for purposes of determining the applicability of the 10-year limita-
17 tion on the combined total of outside and military service. [THE COM-
18 BINED TOTAL OF OUTSIDE, MILITARY, AND ALASKA BIA SERVICE MAY NOT EXCEED
19 15 YEARS.]

20 * Sec. 6. AS 14.25.063(b) is repealed and reenacted to read:

21 (b) Any outstanding indebtedness that exists at the time a member
22 is appointed to retirement will necessitate an actuarial adjustment to
23 the benefits payable based on the member's corresponding service.

24 * Sec. 7. AS 14.25.063(c) is repealed and reenacted to read:

25 (c) If, as a result of service credit claimed for which there is a
26 corresponding indebtedness existing at retirement, the member's retire-
27 ment benefit is actuarially reduced and the resulting benefit is less
28 than it would have been if the service credit had not been claimed, the
29 retirement benefit shall be equal to the amount it would have been had

1 the service credit never been claimed.

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

3 Sec. 14.25.107. CREDIT FOR ALASKA BIA SERVICE. A member who joins
4 the system on or after July 1, 1978, who has Alaska BIA service may
5 claim all of that service as credited service. A retirement benefit
6 payable under this chapter for Alaska BIA service shall be reduced by an
7 amount equal to the retirement benefits paid to the member by the United
8 States government for the same service.

9 * Sec. 9. AS 14.25.110(i) is amended to read:

10 (i) Benefits payable under this section accrue from the first day
11 of the month after which all of the following requirements are met: (1)
12 the member meets the eligibility requirements of this section; (2) the
13 member terminates employment; and (3) the member applies for retirement.
14 Benefits are not payable under this section during a school year in
15 which credit for a full year of service is granted. The benefits are
16 payable the last day of the month. If payment is delayed, a retroactive
17 payment must be made for the month in which a benefit is payable under
18 this section. The last payment shall be for the month in which the mem-
19 ber dies or is no longer eligible for a benefit under this section.

20 * Sec. 10. AS 14.25.115(a) is amended to read:

21 (a) A teacher in membership service on or after July 1, 1977, who
22 is appointed to retirement on or after July 1, 1978, may elect to apply
23 [HIS] unused sick leave credit in computing the total number of years of
24 creditable service under AS 14.25.110(d) [AS 14.25.120(c)(1) AND (4)].
25 To obtain service credit for unused sick leave, a teacher must apply to
26 the administrator no later than one year after appointment to retirement.
27 Unused sick leave shall be credited on a day-for-day basis in accordance
28 with the table for service after July 1, 1969, contained in AS 14.25.220-
29 (40) [AS 14.25.220(16)]. No teacher contributions may be required for

1 credited unused sick leave.

2 * Sec. 11. AS 14.25.125(d) is repealed and reenacted to read:

3 (d) The monthly amount of a conditional service retirement benefit
4 shall be calculated on the years of credited service in accordance with
5 AS 14.25.110(d), except that a member may irrevocably elect to substi-
6 tute "average monthly compensation" as defined in AS 39.35.680(4) in
7 place of the member's average base salary divided by 12.

8 * Sec. 12. AS 14.25.130(a) is repealed and reenacted to read:

9 (a) A member who has five or more years of membership service is
10 eligible for a disability pension if, after July 1, 1966, and before the
11 member's normal retirement date, the member's employment is terminated
12 because of a permanent disability as defined in AS 14.25.220(27).

13 * Sec. 13. AS 14.25.143(b) is amended to read:

14 (b) The amount of the increase in benefit payments may not exceed
15 the lesser [GREATER] of

16 (1) the increase in the cost of living since the date of re-
17 tirement; or

18 (2) four percent of the retirement benefit compounded for
19 each year of retirement.

20 * Sec. 14. AS 14.25.150 is amended to read:

21 Sec. 14.25.150. REFUND UPON TERMINATION. A terminated member is
22 entitled to a refund of the balance of the member contribution account
23 [(1) HIS MANDATORY CONTRIBUTIONS AND ACCRUED INTEREST, AND (2) HIS
24 INDEBTEDNESS PRINCIPAL CONTRIBUTIONS]. A member is not entitled to a
25 refund of his supplemental contributions except as provided in AS 14.25.
26 160(a).

27 * Sec. 15. AS 14.25 is amended by adding new sections to read:

28 Sec. 14.25.155. NONOCCUPATIONAL DEATH BENEFITS. (a) If the death
29 of a member occurs after completing less than one year of membership

1 service and the proximate cause of death is not a bodily injury sus-
2 tained or hazard undergone while in the performance and within the scope
3 of the member's duties of employment, the member's designated benefici-
4 ary shall be paid the balance of the member contribution account.

5 (b) If the death of a member occurs after completing at least one
6 year of membership service but before becoming a vested member, and the
7 proximate cause of death is not a bodily injury sustained or hazard un-
8 dergone while in the performance and within the scope of the member's
9 duties of employment, the lump-sum death benefit described in AS 14.25.-
10 160(b) and (c) shall be paid to the designated beneficiary of the mem-
11 ber.

12 (c) If the death of a vested member or deferred vested member oc-
13 curs and the proximate cause of death is not a bodily injury sustained
14 or hazard undergone while in the performance and within the scope of the
15 member's duties of employment, the surviving spouse may elect to receive
16 either the benefits described in (b) of this section or a 50 percent
17 joint and survivor option as provided under AS 14.25.167(a)(2) based
18 upon credited service to the date of the member's termination. If no
19 spouse survives a vested or deferred vested member, or if a person other
20 than the spouse is designated as beneficiary, the designated beneficiary
21 shall be paid the benefits described in AS 14.25.160(b) and (c). Bene-
22 fits accrue from the first day of the month following the member's death
23 and are payable the last day of the month.

24 (d) Benefits are not payable under this section if benefits are
25 payable under AS 14.25.157, 14.25.160, 14.25.162, 14.25.164, or 14.25.-
26 167.

27 Sec. 14.25.157. OCCUPATIONAL DEATH BENEFITS. (a) If (1) the
28 death of a member occurs before the member first attains eligibility for
29 normal retirement, and (2) the proximate cause of death is a bodily in-

1 jury sustained or hazard undergone while in the performance and within
2 the scope of the member's duties of employment, and (3) the injury or
3 hazard is not the proximate result of wilful negligence on the part of
4 the member, a monthly survivor's pension equal to 40 percent of the mem-
5 ber's base salary at the time of termination of employment, divided by
6 12, shall be paid to the member's surviving spouse. If there is no sur-
7 viving spouse, the monthly survivor's pension shall be paid in equal
8 parts to the dependent children of the member. On the date the normal
9 retirement of the member would have occurred if the member had lived,
10 monthly payments shall equal the monthly amount of the normal retirement
11 benefit to which the member, had the member lived and continued employ-
12 ment until the member's normal retirement date, would have been entitled
13 with an average base salary as existed at the member's death and the
14 credited service to which the member would have been entitled. If no
15 surviving spouse or dependent children exist at the time of death or if
16 the employee designates as beneficiary someone other than the surviving
17 spouse or dependent children, the employee's designated beneficiary
18 shall be paid those benefits available to a beneficiary under AS 14.25.-
19 160(b) and (c) and no benefit will be paid to the surviving spouse or
20 dependent children.

21 (b) The first payment of the surviving spouse's pension or of a
22 dependent child's pension shall accrue from the first day of the month
23 following the member's death and is payable the last day of the month.
24 The last payment shall be made for the last month in which there is an
25 eligible surviving spouse or dependent child.

26 (c) Benefits are not payable under this section if benefits are
27 payable under AS 14.25.155, 14.25.160, 14.25.162, 14.25.164, or 14.25.-
28 167.

29 * Sec. 16. AS 14.25.160(a) is repealed and reenacted to read:

1 (a) A death benefit will be paid and any supplemental contribu-
2 tions will be refunded to the designated beneficiary, upon receipt of a
3 valid claim and proof of the death of a member who

4 (1) is not retired and is not eligible for benefits under
5 AS 14.25.162 or 14.25.164; and

6 (2) either

7 (A) has made supplemental contributions under AS 14.25.-
8 055 since the date one year immediately preceding the member's
9 death or since July 1, 1983, whichever is later; or

10 (B) is making supplemental contributions under AS 14.-
11 25.055 but has made them for less than one year.

12 * Sec. 17. AS 14.25.160(b)(1) is amended to read:

13 (1) the member [MEMBER'S MANDATORY] contribution account;

14 * Sec. 18. AS 14.25.162(b)(1) is amended to read:

15 (1) an allowance of 10 percent of the member's base salary
16 immediately before the member's death, retirement, or disability shall
17 be paid for each dependent child; if there are four or more dependent
18 children, the total amount paid to those children is 40 percent of the
19 member's base salary before the member's [HIS] death, retirement, or
20 disability, paid in equal amounts to each child; the allowance shall be
21 recomputed for the month in which the number of dependent children is
22 less than four and the benefits shall be decreased accordingly; [IF A
23 DEPENDENT CHILD WHO IS AT LEAST 19 YEARS OLD BUT LESS THAN 23 YEARS OLD
24 IS OUT OF SCHOOL FOR MORE THAN ONE SEMESTER, PAYMENTS OF THE DEPENDENT
25 CHILD'S BENEFITS TERMINATE PERMANENTLY;] the adoption of a dependent
26 child does not terminate the survivor's allowance payable under this
27 section;

28 * Sec. 19. AS 14.25.162(b)(4) is amended to read:

29 (4) benefits are not payable under this section if benefits

1 are payable [BEING PAID] under AS 14.25.155, 14.25.157, 14.25.164, or
2 14.25.167.

3 * Sec. 20. AS 14.25.164(b)(3) is amended to read:

4 (3) benefits are not payable under this section if benefits
5 are payable [BEING PAID] under AS 14.25.155, 14.25.157, 14.25.162, or
6 14.25.167.

7 * Sec. 21. AS 14.25 is amended by adding new sections to read:

8 Sec. 14.25.166. DESIGNATION OF BENEFICIARY. (a) Each member
9 shall designate the beneficiary or beneficiaries to whom benefits pay-
10 able under this chapter as a consequence of the member's death shall be
11 distributed.

12 (b) The designation may be changed or revoked by the employee
13 without notice to the beneficiary or beneficiaries at any time. If an
14 employee designates more than one beneficiary, each shall share equally
15 unless the employee specifies a different allocation or preference. The
16 designation of a beneficiary and a change or revocation of a beneficiary
17 shall be made on a form provided by the administrator and is not effec-
18 tive until filed with the administrator.

19 (c) If an employee fails to designate a beneficiary, or if no des-
20 ignated beneficiary survives the employee, the death benefit shall be
21 paid (1) to the surviving spouse or, if there is none surviving, (2) to
22 the surviving children in equal parts or, if there are none surviving,
23 (3) to the surviving parents in equal parts or, if there are none sur-
24 viving, (4) to the estate.

25 Sec. 14.25.167. JOINT AND SURVIVOR OPTION. (a) Benefits payable
26 under this section are in place of benefits payable under AS 14.25.155,
27 14.25.157, 14.25.160, 14.25.162, or 14.25.164. Upon filing an applica-
28 tion for retirement with the administrator, a member may designate his
29 or her spouse or a dependent approved by the administrator as the con-

1 tingent beneficiary. The benefit shall be determined in accordance with
2 one of the following options elected:

3 (1) the member is entitled to receive a reduced benefit pay-
4 able for life, and payments in the amount of 75 percent of the reduced
5 benefit shall, after the member's death, be continued to the contingent
6 beneficiary for life;

7 (2) the member is entitled to receive a reduced benefit pay-
8 able for life, and payments in the amount of 50 percent of the reduced
9 benefit shall, after the member's death, be continued to the contingent
10 beneficiary for life; or

11 (3) the member is entitled to receive a reduced benefit pay-
12 able during the joint lifetime of the member and the contingent benefi-
13 ciary, and payments in the amount of 66-2/3 percent of the reduced
14 benefit shall, after the death of either the member or the contingent
15 beneficiary, be continued to the survivor for life.

16 (b) The aggregate of the pension payments expected to be paid to a
17 member and the member's contingent beneficiary under the options set out
18 in (a) of this section shall be the actuarial equivalent of the pension
19 that the member is otherwise entitled to receive upon retirement.

20 (c) A member may elect, change, or revoke an option without the
21 approval of the administrator if the member's election, change, or revo-
22 cation is filed in writing with the administrator before the effective
23 date of the member's retirement.

24 (d) A member, including a deferred vested member, may, regardless
25 of age, elect a joint and survivor option any time before appointment to
26 receive a retirement benefit.

27 (e) If either the member or contingent beneficiary dies before the
28 member is appointed to retirement, the election becomes inoperative.
29 Once the member is appointed to retirement, the election is irrevocable,

1 even if the retired member is reemployed. Any additional retirement
 2 benefit to which the reemployed member may become entitled will be paid
 3 in accordance with the initial election made under this section, unless
 4 the contingent beneficiary is deceased. If the contingent beneficiary
 5 is deceased, the benefits earned during the period of reemployment are
 6 subject to AS 14.25.110, or this section if another contingent benefici-
 7 ary was designated during the period of reemployment. All other bene-
 8 fits earned during previous periods of employment are subject to the
 9 election at the time the member was appointed to retirement. If death
 10 occurs during the period of reemployment and the proximate cause of
 11 death is not a bodily injury sustained or hazard undergone while in the
 12 performance and within the scope of the member's duties of employment,
 13 those benefits earned while reemployed are subject to AS 14.25.155(c).
 14 All other benefits earned during previous periods of employment are
 15 subject to the election at the time the member was appointed to retire-
 16 ment. If death occurs during the period of reemployment and the proxi-
 17 mate cause of death is a bodily injury sustained or hazard undergone
 18 while in the performance and within the scope of the member's duties of
 19 employment and the injury or hazard is not the proximate result of
 20 wilful negligence on the part of the member, all benefits earned during
 21 all periods of employment are subject to AS 14.25.157.

22 * Sec. 22. AS 14.25.168 is repealed and reenacted to read:

23 Sec. 14.25.168. MEDICAL BENEFITS. (a) The following persons are
 24 entitled to major medical insurance coverage:

- 25 (1) a person receiving a monthly benefit from the system;
- 26 (2) the spouse of a person receiving a monthly benefit from
 27 the system;
- 28 (3) a natural or adopted child of a person receiving a monthly
 29 benefit, if the child is a dependent child as defined in AS 14.25.-

1 220(12).

2 (b) Major medical insurance coverage takes effect on the same date
3 as retirement benefits begin and stops when the retired person or sur-
4 vivor is no longer eligible to receive a monthly benefit. The coverage
5 for persons over age 65 is the same as that available for persons under
6 age 65. The benefits payable to those persons age 65 or older supple-
7 ment any benefits provided the federal old age, survivors and disability
8 insurance program.

9 * Sec. 23. AS 14.25.169 is amended to read:

10 Sec. 14.25.169. DUPLICATE BENEFITS. If payments from this retire-
11 ment system are due to a teacher or his spouse under more than one pro-
12 vision of this plan, the teacher or spouse shall elect under which pro-
13 vision and which benefit he wishes to receive and no payments may be
14 made under any other provision. However, benefits under AS 14.25.155,
15 14.25.157, 14.25.160, 14.25.162, [AND] 14.25.164, and 14.25.167 shall be
16 paid [TO A SURVIVING SPOUSE] in addition to those benefits or that ser-
17 vice credit a person [HE] is entitled to receive because of the person's
18 [HIS] own membership in the retirement system. A teacher may not receive
19 (1) duplicate credit under this system for the same period of service,
20 (2) more than one year of service credit in the course of a school year,
21 or (3) a benefit while accruing service credit under this system except
22 as provided in this section.

23 * Sec. 24. AS 14.25.175(a) is amended to read:

24 (a) Upon appeal by an affected member or beneficiary under (b) of
25 this section, the board may waive an adjustment or a portion of an ad-
26 justment made under AS 14.25.173 if, in the opinion of the board,

27 (1) the adjustment or portion of the adjustment will [, IN
28 THE OPINION OF THE BOARD,] cause undue hardship to the member or bene-
29 ficiary;

1 [(2) THE MEMBER IS RETIRED OR HAS SUBMITTED NOTIFICATION OF
2 IMPENDING RETIREMENT TO HIS EMPLOYER TO BE EFFECTIVE NO LATER THAN 180
3 DAYS AFTER THE ADJUSTMENT WAS MADE, OR THE BENEFICIARY WAS ELIGIBLE TO
4 RECEIVE OR WAS RECEIVING BENEFITS UNDER AS 14.25.010 - 14.25.220 BEFORE
5 THE ADJUSTMENT;

6 (3) THE ADJUSTMENT WILL RESULT IN A LOSS OF ELIGIBILITY FOR
7 BENEFITS FOR THE MEMBER OR BENEFICIARY OR RESULT IN A REDUCTION OF BENE-
8 FITS RECEIVED BY THE MEMBER OR BENEFICIARY OF \$50 PER MONTH OR MORE;]

9 (4) the adjustment was not the result of erroneous informa-
10 tion supplied by the member or beneficiary;

11 (5) before the adjustment was made, the member or beneficiary
12 received confirmation from the administrator that his records were cor-
13 rect; and

14 (6) the member or beneficiary had no reasonable grounds to
15 believe his records were incorrect before the adjustment was made.

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

17 (9) "compensation" means the total remuneration paid under
18 contract to a member for services rendered during a school year, includ-
19 ing cost-of-living differentials, payments for leave that is actually
20 used by the member, the amount by which the member's wages are reduced
21 under AS 39.30.150(c), and the amount deferred under an employer spon-
22 sored deferred compensation plan or the tax shelter annuity plan ap-
23 proved by the Department of Education, but does not include retirement
24 benefits, welfare benefits, per diem, expense allowances, workers' com-
25 ensation payments, or payments for leave not used by the member, wheth-
26 er those leave payments are scheduled payments, lump sum payments, dona-
27 tions, or cash-ins; for purposes of AS 14.25.050, compensation paid in-
28 cludes any payment made after June 30 of a school year for services ren-
29 dered before the end of the school year;

1 * Sec. 26. AS 14.25.220(10) is amended to read:

2 (10) "credited service" means all membership service as pro-
3 vided in (20) of this section, territorial employment as defined in (41)
4 of this section, plus outside, military, and Alaska BIA service [NOT
5 EXCEEDING 15 YEARS], with outside and military service limited to 10
6 years except under the conditions set out in AS 14.25.100;

7 * Sec. 27. AS 14.25.220(19) is amended to read:

8 (19) "member [MANDATORY] contribution account" means the total
9 [ACCOUNT] maintained by the system of [TO RECORD] the member's mandatory
10 contributions, indebtedness principal and interest contributions, inter-
11 est credited to each of those accounts, [OF EACH MEMBER, INCLUDING IN-
12 TEREST] and adjustments to the account in accordance with AS 14.25.170;

13 * Sec. 28. AS 14.25.220 is amended by adding new paragraphs to read:

14 (41) "territorial employment" means non-teaching employment
15 with the Territory of Alaska as provided under AS 14.25.105; territorial
16 employment is not membership service.

17 (42) "board" means the Alaska Teachers' Retirement Board
18 established under AS 14.25.035.

19 * Sec. 29. AS 21.09.210 is amended by adding a new subsection to read:

20 (i) Premiums paid by the state for insurance policies and contracts
21 purchased under the provisions of AS 39.30 are exempt from taxation under
22 this section. Claims for exemptions will be made on forms provided by
23 the division of insurance.

24 * Sec. 30. AS 22.25.011 is amended to read:

25 Sec. 22.25.011. CONTRIBUTIONS. Each justice and judge appointed
26 after July 1, 1978, shall contribute seven percent of the [HIS] base an-
27 nual salary received by the justice or judge to the judicial retirement
28 system. Contributions shall be made for all creditable service under
29 this chapter up to a maximum of 15 years. This contribution is made in

1 the form of a deduction from compensation, and is made even if [NOTWITH-
2 STANDING THAT] the compensation paid in cash to the justice or judge is
3 reduced [THEREBY] below the minimum prescribed by law. Each justice and
4 judge is considered to consent to the deduction [MADE] from [HIS] compen-
5 sation. Payment of compensation less the deduction constitutes a full
6 [AND COMPLETE] discharge [AND ACQUITTANCE] of all claims and demands for
7 the services rendered by the justice or judge [HIM] during the period
8 covered by the payment, except as to the benefits provided for under
9 this chapter [AS 22.25.010 - 22.25.090]. The contributions shall be
10 credited to the judicial retirement fund established in accordance with
11 AS 22.25.048 [INTO THE GENERAL FUND OF THE STATE].

12 * Sec. 31. AS 22.25 is amended by adding a new section to read:

13 Sec. 22.25.048. ACCOUNTING AND INVESTMENT. (a) The commissioner
14 of administration shall establish, as a special account in the general
15 fund, a fund for the judicial retirement system and shall maintain
16 accounts and records for the judicial retirement system.

17 (b) All income of the judicial retirement fund and all disburse-
18 ments made by the fund must be credited or charged, whichever is appro-
19 priate, to the following accounts:

20 (1) an individual account that contains the mandatory contri-
21 butions collected from a person under AS 22.25.011;

22 (2) an account that is credited with the contributions of the
23 state court system;

24 (3) a retirement reserve account; and

25 (4) an expense account for the judicial retirement system
26 that shall be credited with funds transferred from the account described
27 in (b)(2) of this section.

28 (c) Investment of surplus amounts in the fund may be made as pro-
29 vided in AS 39.35.110.

1 (d) Within one year following retirement, an amount actuarially
2 determined as necessary to pay fully for the benefits to be received by
3 a person under this chapter shall be transferred first from the indivi-
4 dual account described in (b)(1) of this section and, after the indivi-
5 dual contributions have been exhausted, then from the court system
6 account described in (b)(2) of this section, into the retirement reserve
7 account described in (b)(3) of this section.

8 (e) The contributions of the court system to the retirement re-
9 serve account shall contain the actuarially determined amount necessary
10 to fully fund the pension, death benefits, and other benefits paid under
11 the judicial retirement system to a person under this chapter.

12 (f) The investment income of the judicial retirement fund shall be
13 allocated in proportion to the balances of assets first to the retired
14 reserve account described in (b)(3) of this section and then to the ac-
15 count described in (b)(2) of this section.

16 (g) The account described in (b)(4) of this section is charged
17 with all disbursements representing the administrative expenses incurred
18 by the judicial retirement system. Expenditures from this account shall
19 be included in the budget of the governor for each fiscal year.

20 * Sec. 32. AS 22.25.090 is repealed and reenacted to read:

21 Sec. 22.25.090. MEDICAL BENEFITS. (a) The following persons are
22 entitled to major medical insurance coverage:

23 (1) a person receiving a monthly benefit under this chapter;

24 (2) the spouse of a justice, judge, or administrative direc-
25 tor receiving a monthly benefit under this chapter;

26 (3) a natural or adopted child of a justice, judge, or admin-
27 istrative director receiving a monthly benefit under this chapter, if
28 the child is a dependent child under (c) of this section.

29 (b) Major medical insurance coverage takes effect on the same date

1 as retirement benefits begin, and stops when the retired person or sur-
 2 vivor is no longer eligible to receive a monthly benefit. The coverage
 3 for persons age 65 or older is the same as that available for persons
 4 under 65. The benefits payable to those persons age 65 or older supple-
 5 ment any benefits provided under the federal old age, survivors, and
 6 disability insurance program.

7 (c) In this section, "dependent child" means an unmarried child of
 8 a justice, judge, or administrative director who is dependent on the
 9 justice, judge, or administrative director for support and who is either
 10 (1) less than 19 years old, or (2) less than 23 years old and registered
 11 at and attending on a full-time basis an accredited educational or tech-
 12 nical institution recognized by the Department of Education. The age
 13 limits set out in this subsection do not apply to a child who is totally
 14 and permanently disabled.

15 * Sec. 33. AS 26.05.222 is amended to read:

16 Sec. 26.05.222. CREATION AND ADMINISTRATION OF ALASKA NATIONAL
 17 GUARD AND ALASKA NAVAL MILITIA RETIREMENT SYSTEM. (a) There is estab-
 18 lished an Alaska National Guard and Alaska Naval Militia retirement
 19 system. The commissioner of administration shall administer the Alaska
 20 National Guard and Alaska Naval Militia retirement system.

21 (b) The commissioner of administration may adopt regulations to
 22 implement the Alaska National Guard and Alaska Naval Militia retirement
 23 system. Regulations adopted by the commissioner under this subsection
 24 relate to the internal management of state agencies and their adoption
 25 is not subject to the Administrative Procedure Act (AS 44.62).

26 * Sec. 34. AS 26.05.226(a) is amended to read:

27 (a) The Department of Military Affairs shall contribute to the
 28 Alaska National Guard and Alaska Naval Militia retirement system the
 29 amounts determined by the commissioner of administration as necessary to

- 1 (1) fund the system based on the actuarial requirements of
2 the system as established by the commissioner of administration; and
3 (2) administer the system.

4 * Sec. 35. AS 26.05.227 is amended to read:

5 Sec. 26.05.227. DEFINITIONS. As used in AS 26.05.222 - 26.05.228
6 [26.05.226],

7 (1) "beneficiary" means a person designated by the [A] member
8 in a writing filed with the system by the member while alive to receive
9 benefits that may be due from the system upon the death of a member;

10 (2) "member" means a commissioned or warrant officer or an
11 enlisted person in the Alaska National Guard or Alaska Naval Militia;

12 (3) "system" means the Alaska National Guard and Alaska Naval
13 Militia retirement system.

14 * Sec. 36. AS 26.05 is amended by adding a new section to read:

15 Sec. 26.05.228. ACCOUNTING AND INVESTMENT. (a) The commissioner
16 of administration shall establish, as a special account in the general
17 fund, a fund for the system and maintain accounts and records for the
18 system.

19 (b) All income of the fund and all disbursements made by the fund
20 must be credited or charged, whichever is appropriate, to the following
21 accounts:

22 (1) an individual account for each retired member of the sys-
23 tem that records the benefits paid under this system to the member or
24 surviving beneficiary;

25 (2) a separate account for the Department of Military Af-
26 fairs' contribution to fund the system based on the actuarial require-
27 ments of the system as established by the commissioner of administration
28 under this chapter;

29 (3) an expense account for the system; this account is charge

1 with all disbursements representing administrative expenses incurred by
2 the system; expenditures from this account are included in the gover-
3 nor's budget for each fiscal year.

4 (c) Investment of surplus amounts in the fund may be made as pro-
5 vided in AS 39.35.110.

6 * Sec. 37. AS 39.30.090 is amended to read:

7 Sec. 39.30.090. PROCUREMENT OF GROUP INSURANCE. The Department
8 of Administration may obtain a policy or policies of group insurance
9 covering state employees, persons entitled to coverage under AS 14.25.-
10 168, AS 22.25.090, AS 39.35.535 or former AS 39.37.145, or [AND] em-
11 ployees of other participating governmental units, subject to the follow-
12 ing conditions:

13 (1) A group insurance policy shall provide one or more of the
14 following benefits: life insurance, accidental death [DEALTH] and
15 dismemberment insurance, weekly indemnity insurance, hospital expense
16 insurance, surgical expense insurance, dental expense insurance, audio-
17 visual insurance, or other medical care insurance.

18 (2) Each eligible employee of the state, the [HIS] spouse and
19 the [HIS] unmarried children chiefly dependent on the eligible employee
20 [HIM] for support and each eligible employee of another participating
21 governmental unit shall be covered by the group policy, unless exempt
22 under regulations adopted by the commissioner of administration.

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

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

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

29 (C) the commissioner of administration approves the par-

1 ticipation in writing.

2 (4) (repealed)

3 (5) (repealed)

4 (6) The Department of Administration shall obtain the insur-
5 ance policy from any insurer authorized to transact business in the
6 state under AS 21.09 and AS 21.90.

7 (7) The Department of Administration shall make available bid
8 specifications for desired insurance benefits to all insurance carriers
9 licensed in the state and qualified to provide the desired benefits.
10 The specifications shall be made available on or before July 1, 1965,
11 and at least once every succeeding five years. The lowest responsible
12 bid submitted by an insurance carrier with adequate servicing facilities
13 shall govern selection of a carrier under this section.

14 (8) If the aggregate of dividends payable under the group in-
15 surance policy exceeds the governmental unit's share of the premium, the
16 excess shall be applied by the governmental unit for the sole benefit of
17 the employees.

18 (9) A person receiving benefits under AS 14.25.110, AS 22.25,
19 [OR] AS 39.35, or former AS 39.37 who is not 65 years of age may continue
20 the [OBTAIN MAJOR MEDICAL AND] life insurance coverage that was in effect
21 under this section at the time of termination of employment with the
22 state or participating governmental unit [FOR HIMSELF AND ANY DEPENDENTS
23 WHO HAVE NOT REACHED THE AGE OF 65 YEARS].

24 (10) [A PERSON RECEIVING BENEFITS UNDER AS 14.25.110, AS 22.25
25 OR AS 39.35 WHO IS 65 YEARS OF AGE OR OLDER BUT WHO HAS DEPENDENTS WHO
26 ARE UNDER 65 MAY OBTAIN MAJOR MEDICAL INSURANCE FOR THESE DEPENDENTS
27 UNDER THIS SECTION.]

28 (11) [A PERSON RECEIVING BENEFITS UNDER AS 14.25.110, AS 22.25
29 OR AS 39.35 MAY OBTAIN MAJOR MEDICAL AND PRESCRIPTION DRUG INSURANCE

1 UNDER THIS SECTION FOR HIMSELF AND ANY DEPENDENTS TO COVER COSTS WHICH
2 ARE NOT COVERED BY THE FEDERAL OLD AGE SURVIVOR'S AND DISABILITY IN-
3 SURANCE PROGRAM.]

4 (12) A person electing to have insurance under (9) [, (10) OR
5 (11)] of this section shall pay the cost of this insurance.

6 (13) [NO PERSON MAY ELECT FOR COVERAGE UNDER (9), (10) OR (11)
7 OF THIS SECTION UNLESS HE WAS OR IS PRESENTLY ELIGIBLE FOR COVERAGE UN-
8 DER THIS SECTION.]

9 (14) For each permanent part-time employee electing coverage
10 under this section, the state shall contribute one-half the state con-
11 tribution rate for permanent full-time state employees, and the perma-
12 nent part-time employee shall contribute the other one-half.

13 (15) A person receiving benefits under AS 14.25, AS 22.25,
14 AS 39.35, or former AS 39.37 may obtain auditory, visual, and dental
15 insurance for that person and eligible dependents [HIMSELF] under this
16 section. The level of coverage for persons over 65 shall be the same as
17 that available before reaching age 65 except that the benefits payable
18 shall be supplemental to any benefits provided [THOSE AFFORDED] under
19 the federal old age, survivors, and disability insurance program [, IF
20 ANY]. A person electing to have insurance under this paragraph shall
21 pay the cost of the insurance. The commissioner of administration shall
22 adopt regulations implementing this paragraph.

23 * Sec. 38. AS 39.30 is amended by adding a new section to read:

24 Sec. 39.30.095. FUND ESTABLISHED. (a) The commissioner of admin-
25 istration shall establish the group health and life benefits fund, as a
26 special account in the general fund, to provide for group life and
27 health insurance under AS 39.30.090 and 39.30.160. The commissioner
28 shall maintain accounts and records for the fund. The fund consists of
29 employer contributions, employee contributions, appropriations from the

1 legislature, and interest earned on investment of the fund as provided
2 in (d) of this section.

3 (b) After obtaining the advice of an actuary, the commissioner of
4 administration shall determine the amount necessary to provide benefits
5 under AS 39.30.090 and 39.30.160 and shall set the rate of employer con-
6 tribution and employee contribution, if any. The commissioner of admin-
7 istration shall pay premiums and claims in accordance with the insurance
8 policies in effect under AS 39.30.090 and 39.30.160 with money in the
9 group health and life benefits fund.

10 (c) The commissioner of administration or the designee of the com-
11 missioner is administrator of the fund.

12 (d) If the commissioner of administration determines that there is
13 more money in the fund than the amount needed to pay premiums or bene-
14 fits for the current fiscal year, the surplus, or so much of it as the
15 commissioner of administration considers advisable, may be invested by
16 the commissioner of revenue in the same manner as retirement funds are
17 invested under AS 39.35.110.

18 (e) In this section, "fund" means the group health and life bene-
19 fits fund.

20 * Sec. 39. AS 39.30 is amended by adding a new section to read:

21 Sec. 39.30.153. REPAYMENT OF CONTRIBUTIONS. Upon termination of
22 employment the amount held on behalf of a terminating employee in the
23 supplemental benefits account established under AS 39.30.160 shall, on
24 application of the employee, be paid to the employee under the terms of
25 the State of Alaska Supplemental Annuity Plan. Benefits shall be paid
26 under this section only on request of the terminating employee.

27 * Sec. 40. AS 39.30 is amended by adding new sections to read:

28 Sec. 39.30.230. PUBLIC EMPLOYEES' AND TEACHERS' DISABILITY REVIEW
29 BOARD. (a) In recognition of the need for expert review of applications

1 for disability benefits under AS 14.25 and AS 39.35 the Public Employees
2 and Teachers' Disability Review Board is established within the Depart-
3 ment of Administration as a permanent advisory board to the Public
4 Employees' Retirement Board, the Teachers' Retirement Board, and the
5 administrator.

6 (b) The board consists of five members. One member is the chairman
7 of the Public Employees' Retirement Board or the chairman's designee,
8 one member is the chairman of the Teachers' Retirement Board or the
9 chairman's designee, one member is the director of the division of voca-
10 tional rehabilitation or the director's designee, and two members are
11 physicians authorized to practice medicine in the state.

12 (c) The chairmen of the Public Employees' and Teachers' Retirement
13 Boards and the director of the division of vocational rehabilitation
14 serve on the board ex officio. The physician members of the board shall
15 be appointed by the governor from a list of four names, two of which are
16 submitted by the Public Employees' Retirement Board and two submitted by
17 the Teachers' Retirement Board. The physician members serve at the
18 pleasure of the governor, but the service of a physician member may not
19 exceed four consecutive years unless the physician member's name is
20 resubmitted for reappointment.

21 (d) The chairman of the Public Employees' Retirement Board or the
22 chairman's designee is chairman of the board except that when the board
23 is considering matters relating to the teachers' retirement system the
24 chairman of the Teachers' Retirement Board or the chairman's designee
25 shall act as chairman.

26 (e) The ex officio members of the board do not receive compensation
27 for their services on the board. The director of the division of voca-
28 tional rehabilitation shall be excused from regular duties while attend-
29 ing meetings of the board. The appointed members of the board are

1 entitled to hourly compensation for their services at a rate to be
2 determined by the commissioner of administration. The rate of compensa-
3 tion shall be consistent with the normal hourly earnings of the appointed
4 members. All members of the board are entitled to travel expenses and
5 per diem when it is necessary to travel.

6 Sec. 39.30.235. DUTIES OF THE BOARD. (a) The board shall review
7 disability claims and other medically related matters referred to it by
8 the Public Employees' Retirement Board, the Teachers' Retirement Board,
9 or the administrator.

10 (b) The board may, when necessary, require applicants for disabili-
11 ty benefits to supply information, appear before the board, and answer
12 questions. The board may, at its option, refer an applicant to a phy-
13 sician of its choice or may approve an examination by a physician of the
14 applicant's choosing. An applicant shall pay the cost of the examina-
15 tion when it is performed by a physician of the applicant's own choosing,
16 and the board shall pay the cost of the examination when it is performed
17 by a physician of its choosing. An applicant is not required to pay
18 travel expenses to meet the medical examination requirements of this
19 section.

20 (c) Upon review of an application for disability benefits and
21 medical evidence supporting the application, the board shall advise the
22 administrator of its findings. If an applicant is found to be disabled,
23 the board shall render an opinion as to the type of positions, if any,
24 the applicant would be capable of filling, given the applicant's present
25 medical condition.

26 Sec. 39.30.240. DEFINITIONS. In AS 39.30.230 - 39.30.240,

27 (1) "administrator" means the commissioner of administration
28 or his designee;

29 (2) "board" means the Public Employees' and Teachers' Dis-

1 ability Review Board established under AS 39.30.230.

2 * Sec. 41. AS 39.35.040(5)(A) is amended to read:

3 (A) an appropriate contribution rate for all employers
4 [, IN ADDITION TO WHICH THE STATE SHALL PAY THE APPROPRIATE SOCIAL
5 SECURITY CONTRIBUTION]; and

6 * Sec. 42. AS 39.35.100(b)(1) is amended to read:

7 (1) An [AN] individual account shall be maintained for each
8 employee to record the amount of the employee's [HIS] mandatory contri-
9 butions collected under AS 39.35.160(a). As of the last day of each
10 calendar year and each fiscal year beginning with June 30, 1969, this
11 account shall be credited with interest, by applying one half of the
12 prescribed rate of interest to the balance in the account as of that
13 date. Within one year following [UPON] retirement, the amount actuari-
14 ally determined as necessary to fully fund the benefits to be received
15 shall be transferred first from the employee contribution account and,
16 after the employee contribution account has been exhausted, then from
17 the employer contribution account into the retirement reserve account.

18 * Sec. 43. AS 39.35.100(b)(3) is amended to read:

19 (3) A separate account for each employer shall be maintained.
20 The account shall be credited with contributions of the employer. This
21 account shall be charged with the employer's actuarial charge for pen-
22 sion, death benefits, and other benefits paid under this system to or on
23 behalf of the employee of the employer. After an allowance for interest
24 credited to employee contribution accounts and employee savings ac-
25 counts, the investment income of the pension fund shall be allocated to
26 the retirement reserve account and to each employer asset share account
27 according to the ratio that the average of the assets in the [AN EMPLOY-
28 ER'S] account as of the beginning and as of the end of the fiscal year
29 bears to the total of the average balance of the retirement reserve ac-

1 count and all employer accounts [EMPLOYERS].

2 * Sec. 44. AS 39.35.125(b) is amended to read:

3 (b) Service as an elected official before January 1, 1981, with an
4 employer may be included retroactively as credited service with the
5 system if the elected official or former elected official makes retro-
6 active contributions equal to what he would have made if he had been
7 included in the system when he took the oath of his office as an elected
8 official. The rate used to calculate the retroactive contributions may
9 not be less than the rate in effect on January 1, 1961. An elected
10 official or former elected official must claim prior service and make
11 retroactive contributions before February 1, 1983 [1982]. An elected
12 official or former elected official may not receive credited service
13 under this subsection for any period in which he was receiving a retire-
14 ment benefit from the system. An elected official or former elected
15 official receiving a retirement benefit from the system on January 1,
16 1981, is not eligible to claim credited service under this subsection
17 unless he is reemployed as an active member and claims the credited
18 service before February 1, 1983 [1982]. Service as an elected official
19 with an employer constitutes employment as an active member so long as
20 no waiver of coverage under (a) of this section is in effect.

21 * Sec. 45. AS 39.35.200 is amended to read:

22 Sec. 39.35.200. REFUND UPON TERMINATION OF EMPLOYMENT FOR REASON
23 OTHER THAN DEATH. (a) An inactive employee, not on leave-without-pay
24 status or layoff status, is entitled to receive a refund of the balance
25 of [(1)] his employee contribution account [AND (2) HIS EMPLOYEE SAVINGS
26 ACCOUNT].

27 (b) If, upon termination of employment, an employee has credited
28 service of less than five years and has less than \$1,000 in the [HIS]
29 employee contribution account, a refund of the employee contribution ac-

1 count [AND THE EMPLOYEE SAVINGS ACCOUNT] must be made unless the employ-
2 ee indicates in writing that future retirement is intended and contribu-
3 tions should not be refunded. An employee who is reemployed with an em-
4 ployer and whose contributions have not been refunded before reemploy-
5 ment [RE-EMPLOYMENT] is not eligible for a refund.

6 * Sec. 46. AS 39.35.340(g) is amended to read:

7 (g) A surviving spouse receiving or entitled to receive benefits
8 [A SURVIVING SPOUSE'S PENSION] under AS 39.35.420(b), 39.35.430, or 39.-
9 35.440 or benefits under a joint and survivor option filed under AS 39.-
10 35.450 is eligible to receive increased benefits based upon military
11 service as described in (a) of this section. To receive credited ser-
12 vice for military service, the surviving spouse must verify the employ-
13 ee's military service. When verified, the surviving spouse is entitled
14 to receive an increased benefit which shall be actuarially adjusted to
15 reflect his or her indebtedness for that credit. The indebtedness shall
16 be calculated in the same manner as described in (b) of this section ex-
17 cept that it shall be based on the average monthly compensation used in
18 calculating the benefit. Benefits payable under this subsection are ef-
19 fective the first day of the month following that in which eligibility
20 has been established.

21 * Sec. 47. AS 39.35.350(c) is repealed and reenacted to read:

22 (c) Any outstanding indebtedness that exists at the time an em-
23 ployee is appointed to retirement will necessitate an actuarial adjust-
24 ment to the benefits payable based on service reinstated under this sec-
25 tion.

26 * Sec. 48. AS 39.35.360(a) is amended to read:

27 (a) An employee employed before January 1, 1980, who completes
28 three years of credited service with the state after January 1, 1961,
29 for which the employee makes contributions required by this chapter is

1 entitled to credited service for service rendered (1) before January 1,
2 1961, as an employee of the state and former Territory of Alaska; (2)
3 before January 1, 1961, as an employee of the United States government
4 in Alaska, excluding service in the armed forces of the United States;
5 or (3) after January 1, 1961, as a peace officer, [OR] correctional
6 officer, or fireman of a participating political subdivision of the
7 state if the employee is vested and is an active peace officer, correc-
8 tional officer, or fireman in the system as of July 1, 1980. The retire-
9 ment benefits payable to an employee under this section shall be reduced
10 by the amount of the retirement pension benefits paid to him by the
11 United States government for the same period of service.

12 * Sec. 49. AS 39.35.360(b) is amended to read:

13 (b) An employee who, under (a) of this section, is entitled to
14 credited service for employment before January 1, 1961, is not required
15 to make retroactive contributions under this chapter.

16 * Sec. 50. AS 39.35.385(c) is amended to read:

17 (c) Credited service for which contributions were refunded is not
18 creditable under this section unless the refunded contributions have
19 been repaid. For purposes of (a) and (b) of this section, a member or
20 former member does not have to be reemployed under this system in order
21 to pay refunded contributions. Compound interest at the rate prescribed
22 by regulation must be added to the reinstatement indebtedness from the
23 date of the refund to the date of repayment.

24 * Sec. 51. AS 39.35.385(d) is repealed and reenacted to read:

25 (d) The monthly amount of a conditional service retirement benefit
26 shall be calculated on the years of fully paid credited service in ac-
27 cordance with AS 39.35.370(c), except that the member may irrevocably
28 elect to substitute one-twelfth of the "average base salary" as defined
29 in AS 14.25.220(5) in place of average monthly compensation.

1 * Sec. 52. AS 39.35.420 is amended to read:

2 Sec. 39.35.420. NONOCCUPATIONAL DEATH BENEFITS. (a) If the death
3 of an employee occurs from nonoccupational causes after completing less
4 than one year of credited service, the employee's designated beneficiary
5 shall be paid the balance of [: (1)] the employee [EMPLOYEE'S] contri-
6 bution account [; AND (2) THE EMPLOYEE'S SAVINGS ACCOUNT]. If the death
7 of an employee occurs from nonoccupational causes after completing at
8 least one year but less than five years of credited service, a [LUMP
9 SUM] death benefit shall be paid to the employee s designated benefi-
10 cary [OF THE EMPLOYEE]. The amount of the [LUMP SUM] death benefit shall
11 be the amount set out in (c) of this section [\$100 TIMES YEARS OF CRED-
12 ITED SERVICE PLUS \$1,000. THE LUMP SUM DEATH BENEFIT IS IN ADDITION TO
13 THE BALANCE OF THE EMPLOYEE'S CONTRIBUTION ACCOUNT AND SAVINGS ACCOUNT].

14 (b) If the death of a vested member or deferred vested member oc-
15 curs from nonoccupational causes and the member designated no person
16 other than the surviving spouse as beneficiary to receive nonoccupational
17 death benefits, the surviving spouse may elect to [AT HIS OR HER DIS-
18 CRETION] receive either the amounts set out in (c) [BENEFITS DESCRIBED
19 IN (a)] of this section or a 50 percent joint and survivor option based
20 upon credited service to the date of the employee's death or termina-
21 tion. Benefits accrue from the first day of the month following the em-
22 ployee's death and are payable the last day of the month.

23 (c) If a vested or deferred vested member designates as benefi-
24 cary someone other than the surviving spouse to receive nonoccupational
25 death benefits, the designated beneficiary shall be paid: (1) the bal-
26 ance of the deceased member's employee contribution account; and (2) a
27 lump sum death benefit. The amount of the lump sum death benefit is
28 \$100 times the years of credited service of the deceased member plus
29 \$1,000.

1 * Sec. 53. AS 39.35.430(b) is amended to read:

2 (b) If (1) the death of an employee occurs before his retirement
3 and before his normal retirement date, and (2) the proximate cause of
4 death is a bodily injury sustained or a hazard undergone while in the
5 performance and within the scope of his duties, and (3) the injury or
6 hazard is not the proximate result of wilful negligence of the employee,
7 a monthly survivor's pension equal to 40 percent of his monthly compen-
8 sation in the month in which he dies shall be paid to his surviving
9 spouse. If there is no surviving spouse or if the spouse later dies,
10 the monthly survivor's pension shall be paid in equal parts to the
11 dependent children of the employee. On the date the normal retirement
12 of the employee would have occurred if he had lived, monthly payments
13 shall equal the monthly amount of the normal retirement benefit to which
14 the employee, had he lived and continued his employment until his normal
15 retirement date, would have been entitled with an average monthly compen-
16 sation as existed at his death and the credited service to which he
17 would have been entitled.

18 * Sec. 54. AS 39.35.430 is amended by adding a new subsection to read:

19 (f) If the death of an employee occurs from occupational causes
20 but no surviving spouse or dependent children exist at the time of the
21 death or if the employee designates as beneficiary someone other than
22 the surviving spouse or dependent children, the employee's designated
23 beneficiary is entitled to receive those benefits available to a benefi-
24 ciary under AS 39.35.420(c) and no occupational death benefit will be
25 paid to the surviving spouse or dependent children. If the designated
26 beneficiary is the surviving spouse or dependent children, the bene-
27 ficiary shall receive the benefit described in (b) of this section.

28 * Sec. 55. AS 39.35.440(b) is amended to read:

29 (b) Upon the death of a disabled employee who is receiving or is

1 entitled to receive an occupational disability benefit, a surviving
2 spouse's pension equal to 40 percent of the employee's [HIS AVERAGE]
3 monthly compensation at the termination of employment because of occupa-
4 tional disability shall be paid to the [HIS] surviving spouse. If there
5 is no surviving spouse, the survivor's pension shall be paid in equal
6 parts to the dependent children of the employee. On the date the normal
7 retirement of the employee would have occurred if the employee [HE] had
8 lived, monthly payments shall equal the monthly amount of the normal re-
9 tirement benefit to which the employee, had the employee [HE] lived and
10 continued [HIS] employment until the employee's [HIS] normal retirement
11 date, would have been entitled with an average monthly compensation as
12 existed at [HIS] death and the credited service to which the employee
13 [HE] would have been entitled. If the death of an employee occurs from
14 occupational causes but no surviving spouse or dependent children exist
15 at the time of the death, or if the employee designates as beneficiary
16 someone other than the surviving spouse or dependent children, the em-
17 ployee's designated beneficiary shall be paid those benefits available
18 to a beneficiary under AS 39.35.420(c) and no occupational death benefit
19 will be paid to the surviving spouse or dependent children.

20 * Sec. 56. AS 39.35.460 is amended to read:

21 Sec. 39.35.460. LEVEL INCOME OPTION. If the payment of a [AN EAR-
22 LY] retirement pension begins before age 65 [THE EARLIEST AGE AS OF
23 WHICH THE EMPLOYEE BECOMES ELIGIBLE FOR A PRIMARY SOCIAL SECURITY BENE-
24 FIT], the amount of pension payable before and after that age may be ad-
25 justed so that an increased amount will be paid before the time that
26 full social security benefits become available and a reduced amount af-
27 ter that time, so that the employee may [WILL] receive a more level [RE-
28 TIREMENT] income for life. The aggregate value of all adjusted payments
29 may [, HOWEVER, SHALL] not exceed the actuarial equivalent of the value

1 of the pension otherwise payable to the employee.

2 * Sec. 57. AS 39.35.475(b) is amended to read:

3 (b) The amount of the increase in benefit payments may not exceed
4 the lesser [GREATER] of

5 (1) the increase in the cost of living since the date of re-
6 tirement; or

7 (2) four percent of the retirement benefit compounded for
8 each year of retirement.

9 * Sec. 58. AS 39.35.485(a) is amended to read:

10 (a) An employee who is eligible for a benefit calculated in accor-
11 dance with AS 39.35.370(c) is entitled to a benefit of at least \$25 a
12 month for each year of credited service, not including adjustments made
13 under AS 39.35.340 for military service, AS 39.35.350 for reinstatement
14 of credited service, AS 39.35.360 for credit for earlier service, AS 39.
15 35.370(c) for early retirement, AS 39.35.420 for nonoccupational death
16 benefits [AS 39.35.380, 39.35.410], AS 39.35.450 for the survivor's op-
17 tion, AS 39.35.460 for the level income option, AS 39.35.475 for the
18 post-retirement pension adjustment, and AS 39.35.480 for the cost of
19 living.

20 * Sec. 59. AS 39.35.490(a) is amended to read:

21 (a) Each employee shall designate the beneficiary or beneficiaries
22 to whom benefits payable under this chapter as a consequence of his
23 death [UNDER AS 39.35.200 - 39.35.240 AND AS 39.35.420 - 39.35.440] shall
24 be distributed.

25 * Sec. 60. AS 39.35.522(a) is amended to read:

26 (a) Upon appeal by an affected member or beneficiary under (b) of
27 this section, the board may waive an adjustment or any portion of an ad-
28 justment made under AS 39.35.520 if, in the opinion of the board,

29 (1) the adjustment or portion of the adjustment will [, IN

1 THE OPINION OF THE BOARD,] cause undue hardship to the member or bene-
2 ficiary;

3 [(2) THE MEMBER IS RETIRED OR HAS SUBMITTED NOTIFICATION OF
4 IMPENDING RETIREMENT TO HIS EMPLOYER TO BE EFFECTIVE NO LATER THAN 180
5 DAYS AFTER THE ADJUSTMENT WAS MADE, OR THE BENEFICIARY WAS ELIGIBLE TO
6 RECEIVE OR WAS RECEIVING BENEFITS UNDER THIS CHAPTER BEFORE THE ADJUST-
7 MENT;

8 (3) THE ADJUSTMENT WILL RESULT IN A LOSS OF ELIGIBILITY FOR
9 BENEFITS FOR THE MEMBER OR BENEFICIARY OR RESULT IN A REDUCTION OF BENE-
10 FITS BEING RECEIVED BY THE MEMBER OR BENEFICIARY OF \$50 PER MONTH OR
11 MORE;]

12 (4) the adjustment was not the result of erroneous informa-
13 tion supplied by the member or beneficiary;

14 (5) before the adjustment was made, the member or beneficiary
15 received confirmation from the administrator that his records were cor-
16 rect; and

17 (6) the member or beneficiary had no reasonable grounds to
18 believe his records were incorrect before the adjustment was made.

19 * Sec. 61. AS 39.35.530 is amended to read:

20 Sec. 39.35.530. LIMIT ON PENSION. No employee may simultaneously
21 receive a pension under more than one section of this chapter. However,
22 benefits under AS 39.35.420(b), 39.35.430, 39.35.440 or 39.35.450 shall
23 be paid in addition to the benefits or service credit a person is entit-
24 led to receive because of the person's own membership in the retirement
25 system. An employee may not (1) receive duplicate credit under this
26 system for the same period of service, (2) receive more than one year of
27 service credit in the course of any calendar year, or (3) receive a
28 benefit while accruing service credit under this system except as pro-
29 vided in this section.

1 * Sec. 62. AS 39.35.535 is repealed and reenacted to read:

2 Sec. 39.35.535. MEDICAL BENEFITS. (a) The following persons are
3 entitled to major medical insurance coverage:

4 (1) a person receiving a monthly benefit from the system:

5 (2) the spouse of a person receiving a monthly benefit from
6 the system;

7 (3) a natural or adopted child of a person receiving a month-
8 ly benefit from the system, if the child is a dependent child under
9 AS 39.35.680(11).

10 (b) Major medical insurance coverage takes effect on the same date
11 as retirement benefits begin, and stops when the retired employee or
12 survivor is no longer eligible to receive a monthly benefit. The cover-
13 age for persons age 65 or older is the same coverage available for a
14 person under 65. The benefits payable to those persons age 65 or older
15 supplement any benefits provided under the federal old age, survivors
16 and disability insurance program.

17 * Sec. 63. AS 39.35 is amended by adding a new section to read:

18 Sec. 39.35.541. ACTUARIAL REDUCTION OF BENEFIT. If, as a result
19 of service credit claimed for which there is a corresponding indebted-
20 ness existing at retirement, the member's retirement benefit is actuar-
21 ially reduced and the resultant benefit is less than it would have been
22 if the service credit had not been claimed, the retirement benefit shall
23 be equal to the amount it would have been had the service credit not
24 been claimed.

25 * Sec. 64. AS 39.35.560 is amended to read:

26 Sec. 39.35.560. REQUEST BY PUBLIC ORGANIZATION TO PARTICIPATE AND
27 ADOPTION OF RESOLUTION. A public organization [CREATED WHOLLY OR PARTLY
28 BY, OR DERIVING ITS POWERS FROM, THE LEGISLATURE OF THE STATE] may re-
29 quest to become an employer in this system.. The request shall be made

1 after adoption of a resolution by the governing body of the public orga-
2 nization. A certified copy of the resolution shall be filed with the
3 administrator. If the administrator approves the request for participa-
4 tion, the public organization is an employer of the system.

5 * Sec. 65. AS 39.35.615(a) is amended to read:

6 (a) A political subdivision or public organization may request
7 that its participation agreement be amended. The request may be made
8 only after adoption of a resolution by the legislative body of the po-
9 litical subdivision and approval of the resolution by the person re -
10 quired by law to approve the resolution, or, in the case of a public or-
11 ganization, after adoption of a resolution by the governing body of that
12 public organization. A certified copy of the resolution shall be filed
13 with the administrator. If a political subdivision or public organiza-
14 tion amends its participation agreement so as to terminate coverage of a
15 department, group, or other classification of employees, each employee
16 whose coverage is so terminated, regardless of his employment status at
17 the date of termination, shall be considered fully vested in his actuar-
18 ially adjusted accrued retirement benefits as of the date of termina-
19 tion, unless his contributions have been refunded.

20 * Sec. 66. AS 39.35.615(c) is amended to read:

21 (c) Each employee who elects to obtain a refund shall receive a
22 refund of the balance of [(1)] his employee contribution account [AND
23 (2) HIS EMPLOYEE SAVINGS ACCOUNT]. The vesting in accrued benefits for
24 each employee who elects to obtain a refund is voided upon his receipt
25 of the refund, and the corresponding credited service may not be rein-
26 stated under this chapter. A partial refund may not be allowed under
27 this section.

28 * Sec. 67. AS 39.35.620(e) is amended to read:

29 (e) Each employee who elects to obtain a refund shall receive a

1 refund of the balance, determined as of the date of his employer's ter-
2 mination of participation, of [(1)] his employee contribution account
3 [AND (2) HIS EMPLOYEE SAVINGS ACCOUNT]. The vesting in accrued benefits
4 for each employee who elects to receive a refund is voided upon his re-
5 ceipt of his refund and corresponding credited service may not be rein-
6 stated under this chapter. No partial refund may be allowed under this
7 section.

8 * Sec. 68. AS 39.35.680(8) is amended to read:

9 (8) "compensation" means the total remuneration earned by an
10 employee for personal services rendered, including cost-of-living dif-
11 ferentials, payments for leave that is actually used by the employee,
12 the amount by which the employee's wages are reduced under AS 39.30.-
13 150(c), and any amount deferred under an employer-sponsored deferred
14 compensation plan, but does not include retirement benefits, welfare
15 benefits, per diem, expense allowances, workers' compensation payments
16 or payments for [MEDICAL LEAVE OR ANNUAL] leave not used by the employee
17 whether those leave payments are scheduled payments, lump-sum payments,
18 donations or cash-ins;

19 * Sec. 69. AS 39.35.680(13) is amended to read:

20 (13) "early retirement" means retirement for a member who is
21 not eligible for normal retirement and who is at least 50 years old and
22 is eligible to receive benefits under AS 39.35.370(b) or under AS 39.35.
23 385(b) or (f) [HAS A MINIMUM OF FIVE YEARS CREDITED SERVICE];

24 * Sec. 70. AS 39.35.680(15) is amended to read:

25 (15) "employee contribution account" means the total [ACCOUNT]
26 maintained by the system of [TO RECORD] the employee's mandatory contri-
27 butions, voluntary contributions, indebtedness principal, and interest
28 contributions, interest credited to each of those accounts, [OF EACH EM-
29 PLOYEE, INCLUDING INTEREST] and adjustments to the accounts [ACCOUNT] in

1 accordance with AS 39.35.100;

2 * Sec. 71. AS 39.35.680(21)(C) is amended by adding a new subparagraph to
3 read:

4 (viii) members of the elected public officers' retire-
5 ment system (former AS 39.37);

6 * Sec. 72. AS 39.35.680(25) is amended to read:

7 (25) "normal retirement" means retirement for a member who is
8 eligible to receive benefits under AS 39.35.370(a) or under 39.35.385(a)
9 or (f) [AT LEAST 55 YEARS OLD AND HAS A MINIMUM OF FIVE YEARS CREDITED
10 SERVICE, OR WHO IS ANY AGE AND HAS 30 YEARS OR MORE OF CREDITED SERVICE,
11 OR A PEACE OFFICER OR FIREMAN WHO IS ANY AGE AND HAS 20 YEARS OR MORE OF
12 CREDITED SERVICE];

13 * Sec. 73. AS 39.35.680 is amended by adding a new paragraph to read:

14 (39) "public organization" means an organization or entity

15 (A) created by the constitution or laws of the state for
16 the purpose of administering state programs;

17 (B) whose officers and employees are paid by a method
18 other than by the state payroll prepared by the Department of Ad-
19 ministration; and

20 (C) whose employees are not required by law to partici-
21 pate in the system.

22 * Sec. 74. The repeal of AS 39.35.545 in sec. 6, ch. 81, SLA 1976 is
23 retroactive to July 1, 1968.

24 * Sec. 75. AS 14.25.060(b)(3), AS 39.35.020(5)(D), 39.35.470, and
25 39.35.540 are repealed.

26 * Sec. 76. The plan administrator of the State of Alaska Supplemental
27 Annuity Plan shall apply to the United States Internal Revenue Service for a
28 ruling that an amendment to the plan to allow participants to receive an
29 annuity benefit as provided in AS 39.30.153 at any age will not adversely

1 affect the deferral of taxes and, on receipt of a favorable ruling, shall
2 amend the plan in accordance with the provisions of AS 39.30.153 enacted in
3 sec. 39 of this Act.

4 * Sec. 77. AS 39.30.153 enacted in sec. 39 of this Act is retroactive to
5 January 1, 1980.

6 * Sec. 78. AS 39.30.153 enacted in sec. 39 of this Act and sec. 77 of
7 this Act take effect on the amendment of the plan by the plan administrator
8 after receipt of a favorable tax ruling by the United States Internal Revenue
9 Service.

10 * Sec. 79. Sections 1 - 38 and 40 - 76 of this Act take effect July 1,
11 1982.

Original sponsor: Ray

Offered: 5/7/82

1 IN THE SENATE

BY THE RULES COMMITTEE

2 CS FOR SENATE BILL NO. 121 (Rules)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to teachers', judicial, national
7 guard, and public employees' retirement systems; and to
8 group insurance for public employees and persons retired
9 under those retirement systems; creating the Public
10 Employees' and Teachers' Disability Review Board; and
11 providing for an effective date."

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

13 * Section 1. AS 14.25.020(a)(1) is repealed and reenacted to read:

14 (1) formulate and recommend to the Alaska Teachers' Retirement
15 Board regulations to govern the operation of the system;

16 * Sec. 2. AS 14.25.022 is amended to read:

17 Sec. 14.25.022. REGULATIONS. Regulations adopted [PROMULGATED] by
18 the Alaska Teachers' Retirement Board [ADMINISTRATOR] under this chapter
19 [AS 14.25.010 - 14.25.220] relate to the internal management of a state
20 agency and their adoption is not subject to the Administrative Procedure
21 Act (AS 44.62).

22 * Sec. 3. AS 14.25.035 is amended by adding a new subsection to read:

23 (i) The board may adopt regulations recommended by the administra-
24 tor to implement this chapter with modifications it considers proper.

25 * Sec. 4. AS 14.25.055 is amended to read:

26 Sec. 14.25.055. SUPPLEMENTAL CONTRIBUTIONS BY TEACHERS. If a
27 teacher first joined the system before July 1, 1982, and is married or
28 has a minor child and wishes to make his spouse or minor child eligible
29 for a spouse's pension or a survivor's allowance, the teacher [HE] may

1 payment must be made for the month in which a benefit is payable under
2 this section. The last payment shall be for the month in which the mem-
3 ber dies or is no longer eligible for a benefit under this section.

4 * Sec. 8. AS 14.25.115(a) is amended to read:

5 (a) A teacher in membership service on or after July 1, 1977, who
6 is appointed to retirement on or after July 1, 1978, may elect to apply
7 [HIS] unused sick leave credit in computing the total number of years of
8 creditable service under AS 14.25.110(d) [AS 14.25.120(c)(1) AND (4)].
9 To obtain service credit for unused sick leave, a teacher must apply to
10 the administrator no later than one year after appointment to retirement.
11 Unused sick leave shall be credited on a day-for-day basis in accordance
12 with the table for service after July 1, 1969, contained in AS 14.25.220-
13 (40) [AS 14.25.220(16)]. No teacher contributions may be required for
14 credited unused sick leave.

15 * Sec. 9. AS 14.25.125(d) is repealed and reenacted to read:

16 (d) The monthly amount of a conditional service retirement benefit
17 shall be calculated on the years of credited service in accordance with
18 AS 14.25.110(d), except that a member may irrevocably elect to substi-
19 tute "average monthly compensation" as defined in AS 39.35.680(4) in
20 place of the member's average base salary divided by 12.

21 * Sec. 10. AS 14.25.130(a) is repealed and reenacted to read:

22 (a) A member who has five or more years of membership service is
23 eligible for a disability pension if, after July 1, 1966, and before the
24 member's normal retirement date, the member's employment is terminated
25 because of a permanent disability as defined in AS 14.25.220(27).

26 * Sec. 11. AS 14.25.143(b) is amended to read:

27 (b) The amount of the increase in benefit payments may not exceed
28 the lesser [GREATER] of

29 (1) the increase in the cost of living since the date of re-

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

Original sponsor: Ray

Offered: 5/7/82

1 IN THE SENATE

BY THE RULES COMMITTEE

2 CS FOR SENATE BILL NO. 121 (Rules)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

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7 guard, and public employees' retirement systems; and to
8 group insurance for public employees and persons retired
9 under those retirement systems; creating the Public
10 Employees' and Teachers' Disability Review Board; and
11 providing for an effective date."

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15 Board regulations to govern the operation of the system;

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17 Sec. 14.25.022. REGULATIONS. Regulations adopted [PRCMULGATED] by
18 the Alaska Teachers' Retirement Board [ADMINISTRATOR] under this chapter
19 [AS 14.25.010 - 14.25.220] relate to the internal management of a state
20 agency and their adoption is not subject to the Administrative Procedure
21 Act (AS 44.62).

22 * Sec. 3. AS 14.25.035 is amended by adding a new subsection to read:

23 (i) The board may adopt regulations recommended by the administra-
24 tor to implement this chapter with modifications it considers proper.

25 * Sec. 4. AS 14.25.055 is amended to read:

26 Sec. 14.25.055. SUPPLEMENTAL CONTRIBUTIONS BY TEACHERS. If a
27 teacher first joined the system before July 1, 1982, and is married or
28 has a minor child and wishes to make his spouse or minor child eligible
29 for a spouse's pension or a survivor's allowance, the teacher [HE] may

1 elect to make a supplemental contribution of an additional one percent
2 of his base salary within 90 days of his entry into participation in the
3 system, or within 90 days of his marriage, or within 90 days of the
4 birth or adoption of a child dependent upon him [, OR DURING ANY OPEN
5 ENROLLMENT PERIOD AUTHORIZED BY THE TEACHERS' RETIREMENT SYSTEM BOARD].
6 Once an election is made under this section, supplemental contributions
7 must be made whenever contributions are required under AS 14.25.050
8 unless the teacher executes a written waiver with the administrator.
9 The execution of a waiver relinquishes all rights and benefits previously
10 accrued under AS 14.25.162 and 14.25.164.

11 * Sec. 5. AS 14.25.063(b) is repealed and reenacted to read:

12 (b) Any outstanding indebtedness that exists at the time a member
13 is appointed to retirement will necessitate an actuarial adjustment to
14 the benefits payable based on the member's corresponding service.

15 * Sec. 6. AS 14.25.063(c) is repealed and reenacted to read:

16 (c) If, as a result of service credit claimed for which there is a
17 corresponding indebtedness existing at retirement, the member's retire-
18 ment benefit is actuarially reduced and the resulting benefit is less
19 than it would have been if the service credit had not been claimed, the
20 retirement benefit shall be equal to the amount it would have been had
21 the service credit never been claimed.

22 * Sec. 7. AS 14.25.110(i) is amended to read:

23 (i) Benefits payable under this section accrue from the first day
24 of the month after which all of the following requirements are met: (1)
25 the member meets the eligibility requirements of this section; (2) the
26 member terminates employment; and (3) the member applies for retirement.
27 Benefits are not payable under this section during a school year in
28 which credit for a full year of service is granted. The benefits are
29 payable the last day of the month. If payment is delayed, a retroactive

1 payment must be made for the month in which a benefit is payable under
2 this section. The last payment shall be for the month in which the mem-
3 ber dies or is no longer eligible for a benefit under this section.

4 * Sec. 8. AS 14.25.115(a) is amended to read:

5 (a) A teacher in membership service on or after July 1, 1977, who
6 is appointed to retirement on or after July 1, 1978, may elect to apply
7 [HIS] unused sick leave credit in computing the total number of years of
8 creditable service under AS 14.25.110(d) [AS 14.25.120(c)(1) AND (4)].
9 To obtain service credit for unused sick leave, a teacher must apply to
10 the administrator no later than one year after appointment to retirement.
11 Unused sick leave shall be credited on a day-for-day basis in accordance
12 with the table for service after July 1, 1969, contained in AS 14.25.220-
13 (40) [AS 14.25.220(16)]. No teacher contributions may be required for
14 credited unused sick leave.

15 * Sec. 9. AS 14.25.125(d) is repealed and reenacted to read:

16 (d) The monthly amount of a conditional service retirement benefit
17 shall be calculated on the years of credited service in accordance with
18 AS 14.25.110(d), except that a member may irrevocably elect to substi-
19 tute "average monthly compensation" as defined in AS 39.35.680(4) in
20 place of the member's average base salary divided by 12.

21 * Sec. 10. AS 14.25.130(a) is repealed and reenacted to read:

22 (a) A member who has five or more years of membership service is
23 eligible for a disability pension if, after July 1, 1966, and before the
24 member's normal retirement date, the member's employment is terminated
25 because of a permanent disability as defined in AS 14.25.220(27).

26 * Sec. 11. AS 14.25.143(b) is amended to read:

27 (b) The amount of the increase in benefit payments may not exceed
28 the lesser [GREATER] of

29 (1) the increase in the cost of living since the date of re-

1 tirement; or

2 (2) four percent of the retirement benefit compounded for
3 each year of retirement.

4 * Sec. 12. AS 14.25.150 is amended to read:

5 Sec. 14.25.150. REFUND UPON TERMINATION. A terminated member is
6 entitled to a refund of the balance of the member contribution account
7 [(1) HIS MANDATORY CONTRIBUTIONS AND ACCRUED INTEREST, AND (2) HIS
8 INDEBTEDNESS PRINCIPAL CONTRIBUTIONS]. A member is not entitled to a
9 refund of his supplemental contributions except as provided in AS 14.25.-
10 160(a).

11 * Sec. 13. AS 14.25 is amended by adding new sections to read:

12 Sec. 14.25.155. NONOCCUPATIONAL DEATH BENEFITS. (a) If the death
13 of a member occurs after completing less than one year of membership
14 service and the proximate cause of death is not a bodily injury sus-
15 tained or hazard undergone while in the performance and within the scope
16 of the member's duties of employment, the member's designated benefici-
17 ary shall be paid the balance of the member contribution account.

18 (b) If the death of a member occurs after completing at least one
19 year of membership service but before becoming a vested member, and the
20 proximate cause of death is not a bodily injury sustained or hazard un-
21 dergone while in the performance and within the scope of the member's
22 duties of employment, the lump-sum death benefit described in AS 14.25.-
23 160(b) and (c) shall be paid to the designated beneficiary of the mem-
24 ber.

25 (c) If the death of a vested member or deferred vested member oc-
26 curs and the proximate cause of death is not a bodily injury sustained
27 or hazard undergone while in the performance and within the scope of the
28 member's duties of employment, the surviving spouse may elect to receive
29 either the benefits described in (b) of this section or a 50 percent

1 joint and survivor option as provided under AS 14.25.167(a)(2) based
2 upon credited service to the date of the member's termination. If no
3 spouse survives a vested or deferred vested member, or if a person other
4 than the spouse is designated as beneficiary, the designated beneficiary
5 shall be paid the benefits described in AS 14.25.160(b) and (c). Bene-
6 fits accrue from the first day of the month following the member's death
7 and are payable the last day of the month.

8 (d) Benefits are not payable under this section if benefits are
9 payable under AS 14.25.157, 14.25.160, 14.25.162, 14.25.164, or 14.25.-
10 167.

11 Sec. 14.25.157. OCCUPATIONAL DEATH BENEFITS. (a) If (1) the
12 death of a member occurs before the member first attains eligibility for
13 normal retirement, and (2) the proximate cause of death is a bodily in-
14 jury sustained or hazard undergone while in the performance and within
15 the scope of the member's duties of employment, and (3) the injury or
16 hazard is not the proximate result of wilful negligence on the part of
17 the member, a monthly survivor's pension equal to 40 percent of the mem-
18 ber's base salary at the time of termination of employment, divided by
19 12, shall be paid to the member's surviving spouse. If there is no sur-
20 viving spouse, the monthly survivor's pension shall be paid in equal
21 parts to the dependent children of the member. On the date the normal
22 retirement of the member would have occurred if the member had lived,
23 monthly payments shall equal the monthly amount of the normal retirement
24 benefit to which the member, had the member lived and continued employ-
25 ment until the member's normal retirement date, would have been entitled
26 with an average base salary as existed at the member's death and the
27 credited service to which the member would have been entitled. If no
28 surviving spouse or dependent children exist at the time of death or if
29 the employee designates as beneficiary someone other than the surviving

1 spouse or dependent children, the employee's designated beneficiary
2 shall be paid those benefits available to a beneficiary under AS 14.25.-
3 160(b) and (c) and no benefit will be paid to the surviving spouse or
4 dependent children.

5 (b) The first payment of the surviving spouse's pension or of a
6 dependent child's pension shall accrue from the first day of the month
7 following the member's death and is payable the last day of the month.
8 The last payment shall be made for the last month in which there is an
9 eligible surviving spouse or dependent child.

10 (c) Benefits are not payable under this section if benefits are
11 payable under AS 14.25.155, 14.25.160, 14.25.162, 14.25.164, or 14.25.-
12 167.

13 * Sec. 14. AS 14.25.160(a) is repealed and reenacted to read:

14 (a) A death benefit will be paid and any supplemental contribu-
15 tions will be refunded to the designated beneficiary, upon receipt of a
16 valid claim and proof of the death of a member who

17 (1) is not retired and is not eligible for benefits under
18 AS 14.25.162 or 14.25.164; and

19 (2) either

20 (A) has made supplemental contributions under AS 14.25.-
21 055 since the date one year immediately preceding the member's
22 death or since July 1, 1983, whichever is later; or

23 (B) is making supplemental contributions under AS 14.-
24 25.055 but has made them for less than one year.

25 * Sec. 15. AS 14.25.160(b)(1) is amended to read:

26 (1) the member [MEMBER'S MANDATORY] contribution account;

27 * Sec. 16. AS 14.25.162(b)(1) is amended to read:

28 (1) an allowance of 10 percent of the member's base salary
29 immediately before the member's death, retirement, or disability shall

1 be paid for each dependent child; if there are four or more dependent
2 children, the total amount paid to those children is 40 percent of the
3 member's base salary before the member's [HIS] death, retirement, or
4 disability, paid in equal amounts to each child; the allowance shall be
5 recomputed for the month in which the number of dependent children is
6 less than four and the benefits shall be decreased accordingly; [IF A
7 DEPENDENT CHILD WHO IS AT LEAST 19 YEARS OLD BUT LESS THAN 23 YEARS OLD
8 IS OUT OF SCHOOL FOR MORE THAN ONE SEMESTER, PAYMENTS OF THE DEPENDENT
9 CHILD'S BENEFITS TERMINATE PERMANENTLY;] the adoption of a dependent
10 child does not terminate the survivor's allowance payable under this
11 section;

12 * Sec. 17. AS 14.25.162(b)(4) is amended to read:

13 (4) benefits are not payable under this section if benefits
14 are payable [BEING PAID] under AS 14.25.155, 14.25.157, 14.25.164, or
15 14.25.167.

16 * Sec. 18. AS 14.25.164(b)(3) is amended to read:

17 (3) benefits are not payable under this section if benefits
18 are payable [BEING PAID] under AS 14.25.155, 14.25.157, 14.25.162, or
19 14.25.167.

20 * Sec. 19. AS 14.25 is amended by adding new sections to read:

21 Sec. 14.25.166. DESIGNATION OF BENEFICIARY. (a) Each member
22 shall designate the beneficiary or beneficiaries to whom benefits pay-
23 able under this chapter as a consequence of the member's death shall be
24 distributed.

25 (b) The designation may be changed or revoked by the employee
26 without notice to the beneficiary or beneficiaries at any time. If an
27 employee designates more than one beneficiary, each shall share equally
28 unless the employee specifies a different allocation or preference. The
29 designation of a beneficiary and a change or revocation of a beneficiary

1 shall be made on a form provided by the administrator and is not effec-
2 tive until filed with the administrator.

3 (c) If an employee fails to designate a beneficiary, or if no des-
4 ignated beneficiary survives the employee, the death benefit shall be
5 paid (1) to the surviving spouse or, if there is none surviving, (2) to
6 the surviving children in equal parts or, if there are none surviving,
7 (3) to the surviving parents in equal parts or, if there are none sur-
8 viving, (4) to the estate.

9 Sec. 14.25.167. JOINT AND SURVIVOR OPTION. (a) Benefits payable
10 under this section are in place of benefits payable under AS 14.25.155,
11 14.25.157, 14.25.160, 14.25.162, or 14.25.164. Upon filing an applica-
12 tion for retirement with the administrator, a member may designate his
13 or her spouse or a dependent approved by the administrator as the con-
14 tingent beneficiary. The benefit shall be determined in accordance with
15 one of the following options elected:

16 (1) the member is entitled to receive a reduced benefit pay-
17 able for life, and payments in the amount of 75 percent of the reduced
18 benefit shall, after the member's death, be continued to the contingent
19 beneficiary for life;

20 (2) the member is entitled to receive a reduced benefit pay-
21 able for life, and payments in the amount of 50 percent of the reduced
22 benefit shall, after the member's death, be continued to the contingent
23 beneficiary for life; or

24 (3) the member is entitled to receive a reduced benefit pay-
25 able during the joint lifetime of the member and the contingent benefi-
26 ciary, and payments in the amount of 66 and 2/3 percent of the reduced
27 benefit shall, after the death of either the member or the contingent
28 beneficiary, be continued to the survivor for life.

1 (b) The aggregate of the pension payments expected to be paid to a

1 member and the member's contingent beneficiary under the options set out
2 in (a) of this section shall be the actuarial equivalent of the pension
3 that the member is otherwise entitled to receive upon retirement.

4 (c) A member may elect, change, or revoke an option without the
5 approval of the administrator if the member's election, change, or revo-
6 cation is filed in writing with the administrator before the effective
7 date of the member's retirement.

8 (d) A member, including a deferred vested member, may, regardless
9 of age, elect a joint and survivor option any time before appointment to
10 receive a retirement benefit.

11 (e) If either the member or contingent beneficiary dies before the
12 member is appointed to retirement, the election becomes inoperative.
13 Once the member is appointed to retirement, the election is irrevocable,
14 even if the retired member is reemployed. Any additional retirement
15 benefit to which the reemployed member may become entitled will be paid
16 in accordance with the initial election made under this section, unless
17 the contingent beneficiary is deceased. If the contingent beneficiary
18 is deceased, the benefits earned during the period of reemployment are
19 subject to AS 14.25.110, or this section if another contingent benefici-
20 ary was designated during the period of reemployment. All other bene-
21 fits earned during previous periods of employment are subject to the
22 election at the time the member was appointed to retirement. If death
23 occurs during the period of reemployment and the proximate cause of
24 death is not a bodily injury sustained or hazard undergone while in the
25 performance and within the scope of the member's duties of employment,
26 those benefits earned while reemployed are subject to AS 14.25.155(c).
27 All other benefits earned during previous periods of employment are
28 subject to the election at the time the member was appointed to retire-
29 ment. If death occurs during the period of reemployment and the proxi-

1 mate cause of death is a bodily injury sustained or hazard undergone
2 while in the performance and within the scope of the member's duties of
3 employment and the injury or hazard is not the proximate result of
4 wilful negligence on the part of the member, all benefits earned during
5 all periods of employment are subject to AS 14.25.157.

6 * Sec. 20. AS 14.25.168 is repealed and reenacted to read:

7 Sec. 14.25.168. MEDICAL BENEFITS. (a) The following persons are
8 entitled to major medical insurance coverage:

9 (1) a person receiving a monthly benefit from the system;

10 (2) the spouse of a person receiving a monthly benefit from
11 the system;

12 (3) a natural or adopted child of a person receiving a monthly
13 benefit, if the child is a dependent child as defined in AS 14.25.-
14 220(12).

15 (b) Major medical insurance coverage takes effect on the same date
16 as retirement benefits begin and stops when the retired person or sur-
17 vivor is no longer eligible to receive a monthly benefit. The coverage
18 for persons over age 65 is the same as that available for persons under
19 age 65. The benefits payable to those persons age 65 or older supple-
20 ment any benefits provided the federal old age, survivors and disability
21 insurance program.

22 * Sec. 21. AS 14.25.169 is amended to read:

23 Sec. 14.25.169. DUPLICATE BENEFITS. If payments from this retire-
24 ment system are due to a teacher or his spouse under more than one pro-
25 vision of this plan, the teacher or spouse shall elect under which pro-
26 vision and which benefit he wishes to receive and no payments may be
27 made under any other provision. However, benefits under AS 14.25.155,
28 14.25.157, 14.25.160, 14.25.162, [AND] 14.25.164, and 14.25.167 shall be
29 paid [TO A SURVIVING SPOUSE] in addition to those benefits or that ser-

1 vice credit a person [HE] is entitled to receive because of the person's
2 [HIS] own membership in the retirement system. A teacher may not receive
3 (1) duplicate credit under this system for the same period of service,
4 (2) more than one year of service credit in the course of a school year,
5 or (3) a benefit while accruing service credit under this system except
6 as provided in this section.

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

8 (a) Upon appeal by an affected member or beneficiary under (b) of
9 this section, the board may waive an adjustment or a portion of an ad-
10 justment made under AS 14.25.173 if, in the opinion of the board,

11 (1) the adjustment or portion of the adjustment will [, IN
12 THE OPINION OF THE BOARD,] cause undue hardship to the member or bena-
13 ficiary;

14 [(2) THE MEMBER IS RETIRED OR HAS SUBMITTED NOTIFICATION OF
15 IMPENDING RETIREMENT TO HIS EMPLOYER TO BE EFFECTIVE NO LATER THAN 180
16 DAYS AFTER THE ADJUSTMENT WAS MADE, OR THE BENEFICIARY WAS ELIGIBLE TO
17 RECEIVE OR WAS RECEIVING BENEFITS UNDER AS 14.25.010 - 14.25.220 BEFORE
18 THE ADJUSTMENT;

19 (3) THE ADJUSTMENT WILL RESULT IN A LOSS OF ELIGIBILITY FOR
20 BENEFITS FOR THE MEMBER OR BENEFICIARY OR RESULT IN A REDUCTION OF BENE-
21 FITS RECEIVED BY THE MEMBER OR BENEFICIARY OF \$50 PER MONTH OR MORE;]

22 (4) the adjustment was not the result of erroneous informa-
23 tion supplied by the member or beneficiary;

24 (5) before the adjustment was made, the member or beneficiary
25 received confirmation from the administrator that his records were cor-
26 rect; and

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

29 * Sec. 23. AS 14.25.220(9) is amended to read:

1 (9) "compensation" means the total remuneration paid under
2 contract to a member for services rendered during a school year, includ-
3 ing cost-of-living differentials, payments for leave that is actually
4 used by the member, the amount by which the member's wages are reduced
5 under AS 39.30.150(c), and the amount deferred under an employer-spon-
6 sored deferred compensation plan or the tax shelter annuity plan ap-
7 proved by the Department of Education, but does not include retirement
8 benefits, welfare benefits, per diem, expense allowances, workers' com-
9 ensation payments, or payments for leave not used by the member, wheth-
10 er those leave payments are scheduled payments, lump sum payments, dona-
11 tions, or cash-ins; for purposes of AS 14.25.050, compensation paid in-
12 cludes any payment made after June 30 of a school year for services ren-
13 dered before the end of the school year;

14 * Sec. 24. AS 14.25.220(10) is amended to read:

15 (10) "credited service" means all membership service as pro-
16 vided in (20) of this section, territorial employment as defined in (41)
17 of this section, plus outside, military, and BIA service not exceeding
18 15 years, with outside and military service limited to 10 years except
19 under the conditions set out in AS 14.25.100;

20 * Sec. 25. AS 14.25.220(19) is amended to read:

21 (19) "member [MANDATORY] contribution account" means the total
22 [ACCOUNT] maintained by the system of [TO RECORD] the member's mandatory
23 contributions, indebtedness principal and interest contributions, inter-
24 est credited to each of those accounts, [OF EACH MEMBER, INCLUDING IN-
25 TEREST] and adjustments to the account in accordance with AS 14.25.170;

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

27 (41) "territorial employment" means non-teaching employment
28 with the Territory of Alaska as provided under AS 14.25.105; territorial
29 employment is not membership service.

1 * Sec. 27. AS 21.09.210 is amended by adding a new subsection to read:

2 (i) Premiums paid by the state are exempt from taxation under this
3 section. Claims for exemptions will be made on forms provided by the
4 division of insurance.

5 * Sec. 28. AS 22.25.011 is amended to read:

6 Sec. 22.25.011. CONTRIBUTIONS. Each justice and judge appointed
7 after July 1, 1978, shall contribute seven percent of the [HIS] base an-
8 annual salary received by the justice or judge to the judicial retirement
9 system. Contributions shall be made for all creditable service under
10 this chapter up to a maximum of 15 years. This contribution is made in
11 the form of a deduction from compensation, and is made even if [NOTWITH-
12 STANDING THAT] the compensation paid in cash to the justice or judge is
13 reduced [THEREBY] below the minimum prescribed by law. Each justice and
14 judge is considered to consent to the deduction [MADE] from [HIS] compen-
15 sation. Payment of compensation less the deduction constitutes a full
16 [AND COMPLETE] discharge [AND ACQUITTANCE] of all claims and demands for
17 the services rendered by the justice or judge [HIM] during the period
18 covered by the payment, except as to the benefits provided for under
19 this chapter [AS 22.25.010 - 22.25.090]. The contributions shall be
20 credited to the judicial retirement fund established in accordance with
21 AS 22.25.048 [INTO THE GENERAL FUND OF THE STATE].

22 * Sec. 29. AS 22.25 is amended by adding a new section to read:

23 Sec. 22.25.048. ACCOUNTING AND INVESTMENT. (a) The commissioner
24 of administration shall establish, as a special account in the general
25 fund, a fund for the judicial retirement system and shall maintain
26 accounts and records for the judicial retirement system.

27 (b) All income of the judicial retiremer fund and all disburse-
28 ments made by the fund must be credited or charged, whichever is appro-
29 priate, to the following accounts:

1 (1) an individual account that contains the mandatory contri-
2 butions collected from a person under AS 22.25.011;

3 (2) an account that is credited with the contributions of the
4 state court system;

5 (3) a retirement reserve account; and

6 (4) an expense account for the judicial retirement system
7 that shall be credited with funds transferred from the account described
8 in (b)(2) of this section.

9 (c) Investment of surplus amounts in the fund may be made as pro-
10 vided in AS 39.35.110.

11 (d) Within one year following retirement, an amount actuarially
12 determined as necessary to pay fully for the benefits to be received by
13 a person under this chapter shall be transferred first from the indivi-
14 dual account described in (b)(1) of this section and, after the indivi-
15 dual contributions have been exhausted, then from the court system
16 account described in (b)(2) of this section, into the retirement reserve
17 account described in (b)(3) of this section.

18 (e) The contributions of the court system to the retirement re-
19 serve account shall contain the actuarially determined amount necessary
20 to fully fund the pension, death benefits, and other benefits paid under
21 the judicial retirement system to a person under this chapter.

22 (f) The investment income of the judicial retirement fund shall be
23 allocated in proportion to the balances of assets first to the retired
24 reserve account described in (b)(3) of this section and then to the ac-
25 count described in (b)(2) of this section.

26 (g) The account described in (b)(4) of this section is charged
27 with all disbursements representing the administrative expenses incurred
28 by the judicial retirement system. Expenditures from this account shall
29 be included in the budget of the governor for each fiscal year.

1 * Sec. 30. AS 22.25.090 is repealed and reenacted to read:

2 Sec. 22.25.090. MEDICAL BENEFITS. (a) The following persons are
3 entitled to major medical insurance coverage:

4 (1) a person receiving a monthly benefit under this chapter;

5 (2) the spouse of a justice, judge, or administrative direc-
6 tor receiving a monthly benefit under this chapter;

7 (3) a natural or adopted child of a justice, judge, or admin-
8 istrative director receiving a monthly benefit under this chapter, if
9 the child is a dependent child under (c) of this section.

10 (b) Major medical insurance coverage takes effect on the same date
11 as retirement benefits begin, and stops when the retired person or sur-
12 vivor is no longer eligible to receive a monthly benefit. The coverage
13 for persons age 65 or older is the same as that available for persons
14 under 65. The benefits payable to those persons age 65 or older supple-
15 ment any benefits provided under the federal old age, survivors, and
16 disability insurance program.

17 (c) In this section, "dependent child" means an unmarried child of
18 a justice, judge, or administrative director who is dependent on the
19 justice, judge, or administrative director for support and who is either
20 (1) less than 19 years old, or (2) less than 23 years old and registered
21 at and attending on a full-time basis an accredited educational or tech-
22 nical institution recognized by the Department of Education. The age
23 limits set out in this subsection do not apply to a child who is totally
24 and permanently disabled.

25 * Sec. 31. AS 26.05.222 is amended to read:

26 Sec. 26.05.222. CREATION AND ADMINISTRATION OF ALASKA NATIONAL
27 GUARD AND ALASKA NAVAL MILITIA RETIREMENT SYSTEM. (a) There is estab-
28 lished an Alaska National Guard and Alaska Naval Militia retirement
29 system. The commissioner of administration shall administer the Alaska

1 National Guard and Alaska Naval Militia retirement system.

2 (b) The commissioner of administration may adopt regulations to
3 implement the Alaska National Guard and Alaska Naval Militia retirement
4 system. Regulations adopted by the commissioner under this subsection
5 relate to the internal management of state agencies and their adoption
6 is not subject to the Administrative Procedure Act (AS 44.62).

7 * Sec. 32. AS 26.05.226(a) is amended to read:

8 (a) The Department of Military Affairs shall contribute to the
9 Alaska National Guard and Alaska Naval Militia retirement system the
10 amounts determined by the commissioner of administration as necessary to

11 (1) fund the system based on the actuarial requirements of
12 the system as established by the commissioner of administration; and

13 (2) administer the system.

14 * Sec. 33. AS 26.05.227 is amended to read:

15 Sec. 26.05.227. DEFINITIONS. As used in AS 26.05.222 - 26.05.228
16 [26.05.226],

17 (1) "beneficiary" means a person designated by the [A] member
18 in a writing filed with the system by the member while alive to receive
19 benefits that may be due from the system upon the death of a member;

20 (2) "member" means a commissioned or warrant officer or an
21 enlisted person in the Alaska National Guard or Alaska Naval Militia;

22 (3) "system" means the Alaska National Guard and Alaska Naval
23 Militia retirement system.

24 * Sec. 34. AS 26.05 is amended by adding a new section to read:

25 Sec. 26.05.228. ACCOUNTING AND INVESTMENT. (a) The commissioner
26 of administration shall establish, as a special account in the general
27 fund, a fund for the system and maintain accounts and records for the
28 system.

29 (b) All income of the fund and all disbursements made by the fund

1 must be credited or charged, whichever is appropriate, to the following
2 accounts:

3 (1) an individual account for each retired member of the sys-
4 tem that records the benefits paid under this system to the member or
5 surviving beneficiary;

6 (2) a separate account for the Department of Military Af-
7 fairs' contribution to fund the system based on the actuarial require-
8 ments of the system as established by the commissioner of administration
9 under this chapter;

10 (3) an expense account for the system; this account is charged
11 with all disbursements representing administrative expenses incurred by
12 the system; expenditures from this account are included in the gover-
13 nor's budget for each fiscal year.

14 (c) Investment of surplus amounts in the fund may be made as pro-
15 vided in AS 39.35.110.

16 * Sec. 35. AS 39.30.090 is amended to read:

17 Sec. 39.30.090. PROCUREMENT OF GROUP INSURANCE. The Department
18 of Administration may obtain a policy or policies of group insurance
19 covering state employees, persons entitled to coverage under AS 14.25.-
20 168, AS 22.25.090, AS 39.35.535 or former AS 39.37.145, or [AND] em-
21 ployees of other participating governmental units, subject to the follow-
22 ing conditions:

23 (1) A group insurance policy shall provide one or more of the
24 following benefits: life insurance, accidenta. death [DEALTH] and
25 dismemberment insurance, weekly indemnity insurance, hospital expense
26 insurance, surgical expense insurance, dental expense insurance, audio-
27 visual insurance, or other medical care insurance.

28 (2) Each eligible employee of the state, the [HIS] spouse and
29 the [HIS] unmarried children chiefly dependent on the eligible employee

1 [HIM] for support and each eligible employee of another participating
2 governmental unit shall be covered by the group policy, unless exempt
3 under regulations adopted by the commissioner of administration.

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

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

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

10 (C) the commissioner of administration approves the par-
11 ticipation in writing.

12 (4) (repealed)

13 (5) (repealed)

14 (6) The Department of Administration shall obtain the insur-
15 ance policy from any insurer authorized to transact business in the
16 state under AS 21.09 and AS 21.90.

17 (7) The Department of Administration shall make available bid
18 specifications for desired insurance benefits to all insurance carriers
19 licensed in the state and qualified to provide the desired benefits.
20 The specifications shall be made available on or before July 1, 1965,
21 and at least once every succeeding five years. The lowest responsible
22 bid submitted by an insurance carrier with adequate servicing facilities
23 shall govern selection of a carrier under this section.

24 (8) If the aggregate of dividends payable under the group in-
25 surance policy exceeds the governmental unit's share of the premium, the
26 excess shall be applied by the governmental unit for the sole benefit of
27 the employees.

28 (9) A person receiving benefits under AS 14.25.110, AS 22.25,
29 [OR] AS 39.35, or former AS 39.37 who is not 65 years of age may continue

1 the [OBTAIN MAJOR MEDICAL AND] life insurance coverage that was in effect
2 under this section at the time of termination of employment with the
3 state or participating governmental unit [FOR HIMSELF AND ANY DEPENDENTS
4 WHO HAVE NOT REACHED THE AGE OF 65 YEARS].

5 (10) [A PERSON RECEIVING BENEFITS UNDER AS 14.25.110, AS 22.25
6 OR AS 39.35 WHO IS 65 YEARS OF AGE OR OLDER BUT WHO HAS DEPENDENTS WHO
7 ARE UNDER 65 MAY OBTAIN MAJOR MEDICAL INSURANCE FOR THESE DEPENDENTS
8 UNDER THIS SECTION.]

9 (11) [A PERSON RECEIVING BENEFITS UNDER AS 14.25.110, AS 22.25
10 OR AS 39.35 MAY OBTAIN MAJOR MEDICAL AND PRESCRIPTION DRUG INSURANCE
11 UNDER THIS SECTION FOR HIMSELF AND ANY DEPENDENTS TO COVER COSTS WHICH
12 ARE NOT COVERED BY THE FEDERAL OLD AGE SURVIVOR'S AND DISABILITY IN-
13 SURANCE PROGRAM.]

14 (12) A person electing to have insurance under (9) [, (10) OR
15 (11)] of this section shall pay the cost of this insurance.

16 (13) [NO PERSON MAY ELECT FOR COVERAGE UNDER (9), (10) OR (11)
17 OF THIS SECTION UNLESS HE WAS OR IS PRESENTLY ELIGIBLE FOR COVERAGE UN-
18 DER THIS SECTION.]

19 (14) For each permanent part-time employee electing coverage
20 under this section, the state shall contribute one-half the state con-
21 tribution rate for permanent full-time state employees, and the perma-
22 nent part-time employee shall contribute the other one-half.

23 (15) A person receiving benefits under AS 14.25, AS 22.25,
24 AS 39.35, or former AS 39.37 may obtain auditory, visual, and dental
25 insurance for that person and eligible dependents [HIMSELF] under this
26 section. The level of coverage for persons over 65 shall be the same as
27 that available before reaching age 65 except that the benefits payable
28 shall be supplemental to any benefits provided [THOSE AFFORDED] under
29 the federal old age, survivors, and disability insurance program [, IF

1 ANY]. A person electing to have insurance under this paragraph shall
2 pay the cost of the insurance. The commissioner of administration shall
3 adopt regulations implementing this paragraph.

4 * Sec. 36. AS 39.30 is amended by adding a new section to read:

5 Sec. 39.30.095. FUND ESTABLISHED. (a) The commissioner of admin-
6 istration shall establish the group health and life benefits fund, as a
7 special account in the general fund, to provide for group life and
8 health insurance under AS 39.30.090 and 39.30.160. The commissioner
9 shall maintain accounts and records for the fund. The fund consists of
10 employer contributions, employee contributions, appropriations from the
11 legislature, and interest earned on investment of the fund as provided
12 in (d) of this section.

13 (b) After obtaining the advice of an actuary, the commissioner of
14 administration shall determine the amount necessary to provide benefits
15 under AS 39.30.090 and 39.30.160 and shall set the rate of employer con-
16 tribution and employee contribution, if any. The commissioner of admin-
17 istration shall pay premiums and claims in accordance with the insurance
18 policies in effect under AS 39.30.090 and 39.30.160 with money in the
19 group health and life benefits fund.

20 (c) The commissioner of administration or the designee of the com-
21 missioner is administrator of the fund.

22 (d) If the commissioner of administration determines that there is
23 more money in the fund than the amount needed to pay premiums or bene-
24 fits for the current fiscal year, the surplus, or so much of it as the
25 commissioner of administration considers advisable, may be invested by
26 the commissioner of revenue in the same manner as retirement funds are
27 invested under AS 39.35.110.

28 (e) In this section, "fund" means the group health and life bene-
29 fits fund.

1 * Sec. 37. AS 39.30 is amended by adding new sections to read:

2 Sec. 39.30.230. PUBLIC EMPLOYEES' AND TEACHERS' DISABILITY REVIEW
3 BOARD. (a) In recognition of the need for expert review of applications
4 for disability benefits under AS 14.25 and AS 39.35 the Public Employees'
5 and Teachers' Disability Review Board is established within the Depart-
6 ment of Administration as a permanent advisory board to the Public
7 Employees' Retirement Board, the Teachers' Retirement Board, and the
8 administrator.

9 (b) The board consists of five members. One member is the chairman
10 of the Public Employees' Retirement Board or the chairman's designee,
11 one member is the chairman of the Teachers' Retirement Board or the
12 chairman's designee, one member is the director of the division of voca-
13 tional rehabilitation or the director's designee, and two members are
14 physicians authorized to practice medicine in the state.

15 (c) The chairmen of the Public Employees' and Teachers' Retirement
16 Boards and the director of the division of vocational rehabilitation
17 serve on the board ex officio. The physician members of the board shall
18 be appointed by the governor from a list of four names, two of which are
19 submitted by the Public Employees' Retirement Board and two submitted by
20 the Teachers' Retirement Board. The physician members serve at the
21 pleasure of the governor, but the service of a physician member may not
22 exceed four consecutive years unless the physician member's name is
23 resubmitted for reappointment.

24 (d) The chairman of the Public Employees' Retirement Board or the
25 chairman's designee is chairman of the board except that when the board
26 is considering matters relating to the teachers' retirement system the
27 chairman of the Teachers' Retirement Board or the chairman's designee
28 shall act as chairman.

29 (e) The ex officio members of the board do not receive compensation

1 for their services on the board. The director of the division of voca-
2 tional rehabilitation shall be excused from regular duties while attend-
3 ing meetings of the board. The appointed members of the board are
4 entitled to hourly compensation for their services at a rate to be
5 determined by the commissioner of administration. The rate of compensa-
6 tion shall be consistent with the normal hourly earnings of the appointed
7 members. All members of the board are entitled to travel expenses and
8 per diem when it is necessary to travel.

9 Sec. 39.30.235. DUTIES OF THE BOARD. (a) The board shall review
10 disability claims and other medically related matters referred to it by
11 the Public Employees' Retirement Board, the Teachers' Retirement Board,
12 or the administrator.

13 (b) The board may, when necessary, require applicants for disabili-
14 ty benefits to supply information, appear before the board, and answer
15 questions. The board may, at its option, refer an applicant to a phy-
16 sician of its choice or may approve an examination by a physician of the
17 applicant's choosing. An applicant shall pay the cost of the examina-
18 tion when it is performed by a physician of the applicant's own choosing,
19 and the board shall pay the cost of the examination when it is performed
20 by a physician of its choosing. An applicant is not required to pay
21 travel expenses to meet the medical examination requirements of this
22 section.

23 (c) Upon review of an application for disability benefits and
24 medical evidence supporting the application, the board shall advise the
25 administrator of its findings. If an applicant is found to be disabled,
26 the board shall render an opinion as to the type of positions, if any,
27 the applicant would be capable of filling, given the applicant's present
28 medical condition.

29 Sec. 39.30.240. DEFINITIONS. In AS 39.30.230 - 39.30.240,

1 (1) "administrator" means the commissioner of administration
2 or his designee;

3 (2) "board" means the Public Employees' and Teachers' Dis-
4 ability Review Board established under AS 39.30.230.

5 * Sec. 38. AS 39.35.040(5)(A) is amended to read:

6 (A) an appropriate contribution rate for all employers
7 [, IN ADDITION TO WHICH THE STATE SHALL PAY THE APPROPRIATE SOCIAL
8 SECURITY CONTRIBUTION]; and

9 * Sec. 39. AC 39.35.100(b)(1) is amended to read:

10 (1) An [AN] individual account shall be maintained for each
11 employee to record the amount of the employee's [HIS] mandatory contri-
12 butions collected under AS 39.35.160(a). As of the last day of each
13 calendar year and each fiscal year beginning with June 30, 1969, this
14 account shall be credited with interest, by applying one half of the
15 prescribed rate of interest to the balance in the account as of that
16 date. Within one year following [UPON] retirement, the amount actuari-
17 ally determined as necessary to fully fund the benefits to be received
18 shall be transferred first from the employee contribution account and,
19 after the employee contribution account has been exhausted, then from
20 the employer contribution account into the retirement reserve account.

21 * Sec. 40. AS 39.35.100(b)(3) is amended to read:

22 (3) A separate account for each employer shall be maintained.
23 The account shall be credited with contributions of the employer. This
24 account shall be charged with the employer's actuarial charge for pen-
25 sion, death benefits, and other benefits paid under this system to or on
26 behalf of the employee of the employer. After an allowance for interest
27 credited to employee contribution accounts and employee savings ac-
28 counts, the investment income of the pension fund shall be allocated to
29 the retirement reserve account and to each employer asset share account

1 according to the ratio that the average of the assets in the [AN EMPLOY-
2 ER'S] account as of the beginning and as of the end of the fiscal year
3 bears to the total of the average balance of the retirement reserve ac-
4 count and all employer accounts [EMPLOYERS].

5 * Sec. 41. AS 39.35.200 is amended to read:

6 Sec. 39.35.200. REFUND UPON TERMINATION OF EMPLOYMENT FOR REASON
7 OTHER THAN DEATH. (a) An inactive employee, not on leave-without-pay
8 status or layoff status, is entitled to receive a refund of the balance
9 of [(1)] his employee contribution account [AND (2) HIS EMPLOYEE SAVINGS
10 ACCOUNT].

11 (b) If, upon termination of employment, an employee has credited
12 service of less than five years and has less than \$1,000 in the [HIS]
13 employee contribution account, a refund of the employee contribution ac-
14 count [AND THE EMPLOYEE SAVINGS ACCOUNT] must be made unless the employ-
15 ee indicates in writing that future retirement is intended and contribu-
16 tions should not be refunded. An employee who is reemployed with an em-
17 ployer and whose contributions have not been refunded before reemploy-
18 ment [RE-EMPLOYMENT] is not eligible for a refund.

19 * Sec. 42. AS 39.35.340(g) is amended to read:

20 (g) A surviving spouse receiving or entitled to receive benefits
21 [A SURVIVING SPOUSE'S PENSION] under AS 39.35.420(b), 39.35.430, or 39.-
22 35.440 or benefits under a joint and survivor option filed under AS 39.-
23 35.450 is eligible to receive increased benefits based upon military
24 service as described in (a) of this section. To receive credited ser-
25 vice for military service, the surviving spouse must verify the employ-
26 ee's military service. When verified, the surviving spouse is entitled
27 to receive an increased benefit which shall be actuarially adjusted to
28 reflect his or her indebtedness for that credit. The indebtedness shall
29 be calculated in the same manner as described in (b) of this section ex-

1 cept that it shall be based on the average monthly compensation used in
2 calculating the benefit. Benefits payable under this subsection are ef-
3 fective the first day of the month following that in which eligibility
4 has been established.

5 * Sec. 43. AS 39.35.350(c) is repealed and reenacted to read:

6 (c) Any outstanding indebtedness that exists at the time an em-
7 ployee is appointed to retirement will necessitate an actuarial adjust-
8 ment to the benefits payable based on service reinstated under this sec-
9 tion.

10 * Sec. 44. AS 39.35.360(a) is amended to read:

11 (a) An employee employed before January 1, 1980, who completes
12 three years of credited service with the state after January 1, 1961,
13 for which the employee makes contributions required by this chapter is
14 entitled to credited service for service rendered (1) before January 1,
15 1961, as an employee of the state and former Territory of Alaska; (2)
16 before January 1, 1961, as an employee of the United States government
17 in Alaska, excluding service in the armed forces of the United States;
18 or (3) after January 1, 1961, as a peace officer, [OR] correctional
19 officer, or fireman of a participating political subdivision of the
20 state if the employee is vested and is an active peace officer, correc-
21 tional officer, or fireman in the system as of July 1, 1980. The retire-
22 ment benefits payable to an employee under this section shall be reduced
23 by the amount of the retirement pension benefits paid to him by the
24 United States government for the same period of service.

25 * Sec. 45. AS 39.35.360(b) is amended to read:

26 (b) An employee who, under (a) of this section, is entitled to
27 credited service for employment before January 1, 1961, is not required
28 to make retroactive contributions under this chapter.

29 * Sec. 46. AS 39.35.385(c) is amended to read: