

ALASKA LEGISLATURE

HOUSE and SENATE FINANCE COMMITTEE FILES, 2005-2006 2941

1 fixed by the board. The bonds may be subject to redemption before their fixed
2 maturities as determined by the board, or by the authority's executive director when
3 delegated that responsibility under AS 19.75.332, and with the premium fixed by the
4 board, but a bond may not be subject to redemption before its fixed maturity date
5 unless the right to redeem that bond is expressly mentioned on the face of the bond.

6 The bonds

7 (1) may be in denominations determined by the board;

8 (2) may be issued in coupon form or in fully registered form, and may
9 be registrable as to principal or both principal and interest, all under regulations and
10 conditions the board provides;

11 (3) are payable as to principal and interest at the place determined by
12 the board;

13 (4) shall be signed on behalf of the authority as the board may direct;
14 the signatures may be facsimile signatures; each of the interest coupons, if any,
15 attached to the bonds shall be signed by the facsimile signatures of the officials as the
16 board may direct;

17 (5) shall have the seal of the authority impressed, printed, or
18 lithographed on them; and

19 (6) shall be issued under and subject to the terms, conditions, and
20 covenants, providing for the payment of the principal of and interest on the bonds and
21 the other terms, conditions, covenants, and protective features safeguarding this
22 payment and relating to the operations, maintenance, or capital improvements as found
23 necessary by the board, which covenants may include a provision requiring the setting
24 aside and maintenance of certain reserves to secure the payment of the principal and
25 interest or for operations, maintenance, or capital improvements.

26 (b) The board may select a trustee or trustees for the holders of the bonds or
27 any series of the bonds, for the safeguarding and disbursement of any of the money in
28 any of the funds created under this chapter or for the duties of authentication, delivery,
29 and registration of the bonds as the board may determine. The board shall fix the
30 rights, duties, powers, and obligations of the trustee or trustees.

31 (c) In determining the matters and questions relating to the issuance and sale

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of the bonds and the fixing of the maturities, terms, conditions, covenants, and other subjects of the bonds as provided in (a) and (b) of this section, the decisions of the board shall be those found to be reasonably necessary for the best interests of the authority and the construction, operation, and maintenance of its facilities, and those that will accomplish the most advantageous sale of the bonds, giving due regard to (1) necessary or normal costs of maintenance and operation; (2) renewals and replacements of and repairs to the toll facilities; (3) all improvements to toll facilities and property of toll facilities owned, used, operated, or leased in connection with toll facilities; (4) the future growth and expansion of all of the facilities; and (5) the possibility of additional revenue bond financing for toll facilities purposes. A decision of the board as expressed in any bond resolution, is final when any bonds have been issued under the bond resolution.

(d) A bond resolution may provide that the bonds issued must contain a recital that the bonds are issued under this chapter, and any bonds containing this recital are conclusively considered to be valid and to have been issued in conformity with this chapter.

(c) The validity of the authorization and issuance of bonds is not affected by any proceeding for the acquisition or construction of the additions, improvements, or facilities for which the bonds have been issued or by any contract in connection with the acquisition or construction.

Sec. 19.75.332. Bond resolution. (a) When issuing bonds of the authority, the board shall adopt the bond resolution and approve all other documents and proceedings necessary for the issuance, sale, and delivery of the bonds or any part or series of them. The bond resolution shall fix the aggregate principal amount and denomination, date, maturities, place or places of payment, rights of redemption, if any, terms, form, conditions, and covenants of the bonds or each series of them. The board shall also determine and provide for the date and manner of sale of the bonds, and shall provide where the notice of sale, if any, is to be published.

(b) The board may delegate to the authority's executive director the authority to approve final principal maturities and dates, interest rates, redemption rights, and interest payment dates under the terms and conditions the board determines by

1 resolution.

2 **Sec. 19.75.334. Enforcement by holder.** The holder of any bonds or the
3 trustee for the holders of the bonds or any series of them, may, by appropriate
4 proceedings in state court, compel the transfer, setting aside, and payment of money
5 and the enforcement of all of the terms, conditions, and covenants as required and
6 provided in AS 19.75.330 and 19.75.332 and in the bond resolution.

7 **Sec. 19.75.336. Bond negotiability.** The bonds and the coupons attached to
8 them are fully negotiable instruments under the laws of the state.

9 **Sec. 19.75.338. Refunding.** (a) The bonds or any part of them may be
10 refunded at or before their maturity by the issuance of refunding revenue bonds of the
11 authority if, in the opinion of the board, refunding is advantageous to and in the best
12 interest of the authority.

13 (b) The board shall adopt the resolution authorizing refunding and all other
14 documents and proceedings necessary for the issuance, exchange or sale and delivery
15 of the bonds. All provisions of AS 19.75.211 - 19.75.271, except AS 19.75.211(c), and
16 AS 19.75.330 - 19.75.340 applicable to revenue bonds are applicable to the refunding
17 bonds and to the issuance, sale, or exchange of the bonds, except as otherwise
18 provided in this section.

19 (c) Refunding bonds may be issued in a principal amount sufficient to provide
20 money for the payment of all bonds to be refunded by them and, in addition, for the
21 payment of all expenses incident to the calling, retiring, or paying of the outstanding
22 bonds, and the issuance of the refunding bonds. These expenses include, without
23 limitation,

24 (1) the difference in amount between the par value of the refunding
25 bonds and any amount less than par for which the refunding bonds are sold;

26 (2) any amount necessary to be made available for the payment of
27 interest on the refunding bonds from the date of sale of the bonds to the date of
28 payment of the bonds to be refunded or to the date on which the bonds to be refunded
29 will be paid under the call of the bonds or agreement with the holders of the bonds;

30 (3) the premium, if any, necessary to be paid in order to call or retire
31 the outstanding bonds; and

1 (4) the interest accruing on the outstanding bonds to the date of the call
2 or retirement and other costs of issuance and refunding.

3 **Sec. 19.75.340. Bonds as legal investments.** Bonds of the authority, including
4 toll facilities bonds, are legal investments for all banks, trust companies, savings
5 banks, savings and loan associations, and other persons carrying on a banking
6 business, all insurance companies and other persons carrying on an insurance business,
7 and all executors, administrators, trustees, and other fiduciaries. The bonds may be
8 accepted as security for deposits of all money of the state and its political subdivisions.

9 * **Sec. 9.** AS 19.75 is amended by adding new sections to read:

10 **Sec. 19.75.915. Liability for payment of tolls.** The owner of a vehicle using a
11 facility owned, controlled, or managed by the authority for which a toll or fee is
12 imposed is liable for the payment of the toll or fee solely because of the vehicle
13 ownership, unless the vehicle, except a rental vehicle, is used without the owner's
14 knowledge and incurs the toll or fee during operation.

15 **Sec. 19.75.920. Statutory construction.** This chapter shall be liberally
16 construed in order to carry out the purposes for which it was enacted. All existing laws
17 in conflict with this chapter are superseded as necessary to accomplish the purposes of
18 this chapter.

19 * **Sec. 10.** AS 19.75.980 is amended to read:

20 **Sec. 19.75.980. Definitions.** In this chapter, except as otherwise provided
21 and unless the context requires otherwise,

22 (1) "authority" means the Knik Arm Bridge and Toll Authority;

23 (2) "board" means the board of directors of the authority;

24 (3) "department" means the Department of Transportation and Public
25 Facilities;

26 (4) "state bond committee" means the state bond committee
27 created by AS 37.15.110.

28 * **Sec. 11.** This Act takes effect immediately under AS 01.10.070(c).

ALASKA STATE LEGISLATURE

Vice Chair:
House Finance Committee

Chair:
House Finance Subcommittees for;
Department of Public Safety
Department of Law



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BILL STOLTZE
STATE REPRESENTATIVE
Representative_Bill_Stoltze@legis.state.ak.us

House Bill 471(FIN) am Sectional Analysis

- Sec. 1** Clarifies that chapter AS 19.75 is the exclusive source of the powers and authority of the Knik Arm Bridge and Toll Authority (KABATA). This eliminates potential confusion regarding the applicability of the general tolling statutes in AS 37.15 and other similar statutes. It also makes explicit the authority to refund bonds, enter into public-private partnerships and other financing arrangements with both public and private entities for the construction, maintenance and operation of the toll bridge, to exclusively fix tolls for use of the bridge, to acquire real estate and to collect its tolls.
- Sec. 2** Specifies that assets, funds and revenue of KABATA shall be held and accounted for separate from other assets, funds and revenue of the State.
- Sec. 3** Clarifies that KABATA may refund as well as issue revenue bonds and may secure the repayment of the bonds with any revenue it receives.
- Sec. 4** Establishes the maximum interest rate that may be paid on KABATA's bonds and the maximum amount of revenue bonds KABATA may issue. Specifies that refunding bonds are not counted in the maximum amount of bonds KABATA may issue.
- Sec. 5** Provides KABATA with the general power to establish funds and reserves for the issuance of its revenue bonds and the conduct of its business and specifies that interest from such funds and reserves belong to the Authority.

DISTRICT 16

BIRCHWOOD • BUTTE • CHUGIAK • EKLUTNA • FAIRVIEW LOOP
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- Sec. 6 Adds a requirement that KABATA's bond documents contain a notation that they are documents of KABATA to underscore that they are not obligations of the state.
- Sec. 7 Adds a requirement that KABATA's bond documents contain a notation that they are documents of KABATA to underscore that its bonds do not pledge any revenue of or obligate the state or any other political subdivision to repay the bonds.
- Sec. 8 Adopts relevant sections of the existing, statute in AS 37.15 governing toll facilities and toll revenue bonds generally to precisely define the authorities and mechanisms that apply to revenue bonds issued by KABATA distinct from other toll facilities.
- Sec. 9 Establishes liability for the payment of tolls and other obligations owing KABATA.
- Sec. 10 Incorporates relevant statutory definitions.
- Sec. 11 Provides for an immediate effective date.

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ALASKA STATE LEGISLATURE

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Department of Law



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BILL STOLTZE State Representative

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House Bill 471(FIN) am Knik Arm Bridge and Toll Authority

The Legislature created the Knik Arm Bridge and Toll Authority (KABATA) in 2003 to construct a toll bridge across the Knik Arm and connect the Municipality of Anchorage and the Matanuska-Susitna Borough to develop, stimulate, and advance the economic welfare of the state and further the development of public transportation systems in the vicinity of the Upper Cook Inlet. To accomplish the task assigned by the Legislature, KABATA must supplement the federal-aid funds authorized by Congress with significant additional public and private sector financing.

The changes to KABATA's statute reflects advice provided to KABATA from the Department of Transportation's Transportation Infrastructure Finance and Innovation Act (TIFIA) executives and other public and private financing experts that these clarifying amendments are essential for their participation in the financing of this project.

The provisions of HB 471:

- Provide exclusive authority to KABATA to set the amount of the bridge tolls.
- Provide explicit authority to enter into public-private partnerships for the construction, maintenance and operation of the toll bridge.
- Authorize obtaining non-recourse loans from the US DOT's TIFIA loan program.
- Set the dollar of non-recourse revenue bonds that may be issued and refunded.
- Provide means for the collection of tolls and other obligations owing KABATA in the operation of the toll bridge.

I ask for your support of HB 471 to give KABATA the authority to finalize financial arrangements to complete the financing of the construction, operation and maintenance of the bridge.

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Explanation of Changes CSHB 471(FIN) to CSHB 471(FIN) am

Section 1:

- Page 3, Line 29
 1. Include language to require the Knik Arm Bridge and Toll Authority to obtain the approval of the governor to exercise their powers of eminent domain.
- Page 3, Line 31-Page 4, Line 2
 1. Insert language to state that the Knik Arm Bridge and Toll Authority's exercise of powers under this section does not exceed the permissible exercise of those powers by the state.

Section 9:

- Page 10, Lines 15-19
 1. Removed the language that would enable a lien be put on a person's Alaska permanent fund dividend for not paying a toll or fee 30 days after the due date.
- Page 10, Lines 20-24
 1. Removed the language that would prevent a vehicle owner from obtaining or renewing a driver's license or vehicle registration or license if the toll or fee is unpaid for 60 days after the due date.

DISTRICT 16

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HB

475

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

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

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

Expenditures/Revenues (Thousands of Dollars)

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

| OPERATING EXPENDITURES | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 |
|------------------------|------------|------------|------------|------------|------------|------------|
| Personal Services | | | | | | |
| Travel | | | | | | |
| Contractual | | | | | | |
| Supplies | | | | | | |
| Equipment | | | | | | |
| Land & Structures | | | | | | |
| Grants & Claims | | | | | | |
| Miscellaneous | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| | | | | | | |
|-----------------------------|--|--|--|--|--|--|
| CAPITAL EXPENDITURES | | | | | | |
|-----------------------------|--|--|--|--|--|--|

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|-----------------------------|--|--|--|--|--|--|
| CHANGE IN REVENUES (| | | | | | |
|-----------------------------|--|--|--|--|--|--|

FUND SOURCE (Thousands of Dollars)

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

Estimate of any current year (FY2006) cost: 0.0

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

POSITIONS

| | | | | | | |
|-----------|--|--|--|--|--|--|
| Full-time | | | | | | |
| Part-time | | | | | | |
| Temporary | | | | | | |

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

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

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

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

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FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

BILL NO. CSHB 475(STA)

Page 2 of 2

ANALYSIS CONTINUATION

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

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

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

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

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

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

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

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

**HOUSE FINANCE
COMMITTEE
ROLL CALL**

Passes

DATE: April 19, 2006

Amendment: HB 475

MEMBER

Favor

Oppose

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

7

4

adopted
4-19-06
7-3

passes

24-LS1685S.2
Wayne
4/18/06

AMENDMENT

④

OFFERED IN THE HOUSE

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

1 Page 4, line 8:

2 Delete "AS 14.25.485 and 14.25.487"

3 Insert "AS 14.25.310 - 14.25.590"

4

5 Page 9, lines 21 - 23:

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

8 [(1)"]

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

11 (1)"]

12

13 Page 19, lines 12 - 13:

14 Delete "AS 39.35.890 and 39.35.892"

15 Insert "AS 39.35.700 - 39.35.990"

16

17 Page 25, lines 26 - 28:

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

20 [(1)"]

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

23 (1)"]

HOUSE FINANCE COMMITTEE ROLL CALL

DATE: 4-12-96

Amendment: Minor

MEMBER

Favor

Oppose

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

Pass

7

3

*R.O. 4-19
as amended*

adopted → *4/12/06*

24-LS1685S
Wayne
4/11/06

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

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVE SEATON

A BILL

FOR AN ACT ENTITLED

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

24-LS1685S
Wayne
4/11/06

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

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVE SEATON

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 contribution picked up by the employer.

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

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

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

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

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

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

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

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

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

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

18 (1) dies;

19 (2) recovers from the disability;

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

22 (4) reaches normal retirement age.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 Labor Statistics.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 39.30.495 is subject to appeal under AS 44.64.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26 (1) dies;

27 (2) recovers from the disability;

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

29 section; or

30 (4) reaches normal retirement age.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 Labor Statistics.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 2005, is amended to read:

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

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

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

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

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

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

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

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

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

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

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

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

- 1 * Sec. 81. Sections 75 and 78 of this Act take effect immediately under AS 01.10.070(c).
- 2 * Sec. 82. Except as provided in secs. 79 - 81 of this Act, this Act takes effect July 1, 2006.

Failed

HOUSE FINANCE COMMITTEE ROLL CALL

1113-2170

DATE: 4-19-06

Amendment: #2 Lindholm

MEMBER

Favor

Oppose

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

4

7

failed
amend. to amend. 2
July 1, 2007

New

AMENDMENT

2 *failed*

OFFERED IN THE HOUSE

BY REPRESENTATIVE KERTTULA

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

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

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

5 Page 2, following line 3:

6 Insert new bill sections to read:

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

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

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

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

15 Page 2, line 4:

16 Delete "Section 1"

17 Insert "Sec. 3"

19 Renumber the following bill sections accordingly.

21 Page 3, following line 12:

22 Insert a new bill section to read:

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

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

5
6 Renumber the following bill sections accordingly.

7
8 Page 3, lines 14 - 18:

9 Delete all material and insert:

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

15
16 Page 3, following line 25:

17 Insert a new bill section to read:

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

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

21
22 Renumber the following bill sections accordingly.

23
24 Page 4, following line 1:

25 Insert a new bill section to read:

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

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

30
31 Renumber the following bill sections accordingly.

1

2 Page 14, following line 28:

3 Insert new bill sections to read:

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

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

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

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

17

18 Renumber the following bill sections accordingly.

19

20 Page 15, following line 28:

21 Insert a new bill section to read:

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

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

26

27 Renumber the following bill sections accordingly.

28

29 Page 18, following line 12:

30 Insert a new bill section to read:

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

1 **Sec. 39.35.700. Applicability of AS 39.35.700 - 39.35.990.** The provisions of
2 AS 39.35.700 - 39.35.990 apply only to members first hired on or after July 1, 2008
3 [2006], or to members who transfer into the defined contribution plan under
4 AS 39.35.940."
5

6 Renumber the following bill sections accordingly.
7

8 Page 18, lines 14 - 19:

9 Delete all material and insert:

10 "(b) The defined contribution retirement plan is a plan in which savings are
11 accumulated in an individual retirement account for the exclusive benefit of the
12 member or beneficiaries, and certain fixed occupational, death, and disability
13 benefits are paid, and certain fixed retirement and survivor benefits for peace
14 officers and fire fighters are paid. The plan is established effective July 1, 2008
15 [2006], at which time contributions by employers and members begin."
16

17 Page 18, following line 27:

18 Insert a new bill section to read:

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

20 **Sec. 39.35.720. Membership.** An employee who becomes a member on or
21 after July 1, 2008 [2006], shall participate in the plan set out in AS 39.35.700 -
22 39.35.990."
23

24 Renumber the following bill sections accordingly.
25

26 Page 19, following line 5:

27 Insert a new bill section to read:

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

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

1

2 Renumber the following bill sections accordingly.

3

4 Page 33, lines 22 - 23:

5 Delete all material and insert:

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

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

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

9

10 Renumber the following bill sections accordingly.

11

12 Page 33, line 24:

13 Delete "2010"

14 Insert "2012"

15

16 Page 33, line 30:

17 Delete "sec. 8"

18 Insert "sec. 13"

19

20 Page 34, line 6:

21 Delete "Section 76"

22 Insert "Section 88"

23

24 Page 34, lines 7 - 10:

25 Delete all material and insert:

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

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

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

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

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

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

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

HOUSE FINANCE COMMITTEE ROLL CALL

faulkner

DATE: 4-19-35

Amendment: Amend. to Amend 2
(Amend 1)

MEMBER

Favor

Oppose

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

4

7

Withdrawn

24-LS1685L.2
Wayne
4/11/06

New

AMENDMENT |

OFFERED IN THE HOUSE

BY REPRESENTATIVE KERTTULA

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

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

2 Delete all material and insert:

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

10

11 Page 2, following line 3:

12 Insert a new bill section to read:

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

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

17

18 Page 2, line 4:

19 Delete "Section 1"

20 Insert "Sec. 2"

21

22 Renumber the following bill sections accordingly.

23

*Not taken
up
yet*

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

2 Delete all material and insert:

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

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

7

8 Renumber the following bill sections accordingly.

9

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

11 Delete all material and insert:

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

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

16

17 Renumber the following bill sections accordingly.

18

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

20 Delete all material.

21

22 Renumber the following bill sections accordingly.

23

24 Page 33, lines 2 - 3:

25 Delete all material.

26

27 Renumber the following paragraphs accordingly.

28

29 Page 33, lines 8 - 21:

30 Delete all material.

31

1 Renumber the following bill sections accordingly.

2

3 Page 33, line 22:

4 Delete "AS 14.25.045"

5 Insert "AS 14.25.012(c), 14.25.045"

6

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

8 Delete all material and insert:

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

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

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

19

20 Renumber the following bill sections accordingly.

21

22 Page 34, line 6:

23 Delete "Section 76"

24 Insert "Section 21"

25

26 Page 34, lines 7 - 10:

27 Delete all material and insert:

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

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

1 to June 30, 2006.

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

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

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

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

Offered by: Joule

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

AMENDMENT 3

OFFERED IN THE HOUSE

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

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

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

5
6 Page 3, line 1:

7 Delete "The"

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

10

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

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

15

16 Page 17, line 9:

17 Delete "The"

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

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

DIVISION OF RETIREMENT AND BENEFITS

FRANK H. MURKOWSKI, GOVERNOR

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JUNEAU, AK 99811-0203
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April 18, 2006

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

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

Dear Representative Seaton, Meyer and Chenault:

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

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

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

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

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

Sincerely,



Melanie Millhorn
Director

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

cc: Members of House Finance Committee

Scott J. Nordstrand, Commissioner
Department of Administration

Kevin Brooks, Deputy Commissioner
Department of Administration

Michael Tibbies, Deputy Commissioner
Department of Administration

Traci Carpenter, Project Manager
Department of Administration

Virginia Ragle, Assistant Attorney General
Department of Law



April 17, 2006

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VIA E-MAIL

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

Re: CSHB 475

Dear Melanie and Traci:

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

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

BACKGROUND

PERS Tier 4 and TRS Tier 3

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

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

HRAs

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

IMPORTANCE OF QUALIFIED STATUS – FOR NEW PLANS

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

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

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

MECHANICS OF THE PLAN DETERMINATION PROCESS – FOR NEW PLANS

What is filed with the IRS?

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

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

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

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

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

What is the timetable for receiving an IRS determination?

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

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

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

Melanie A. Millhorn
Traci Carpenter
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Page 4

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

BENEFITS OF PASSING CSIB 475

PERS Tier 4 and TRS Tier 3

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

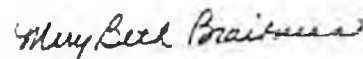
IRAs

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

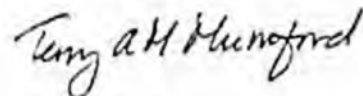
Please let us know if this letter responds to your questions.

Very truly yours,

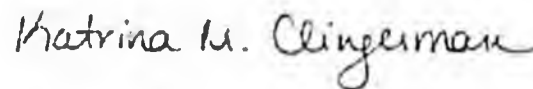
ICE MILLER LLP



Mary Beth Braitman



Terry A.M. Mumford



Katrina M. Clingerman

cc: Virginia Ragle

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

DIVISION OF RETIREMENT AND BENEFITS

FRANK H. MURKOWSKI, GOVERNOR

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April 18, 2006

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

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

Dear Representative Seaton, Meyer and Chenault:

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

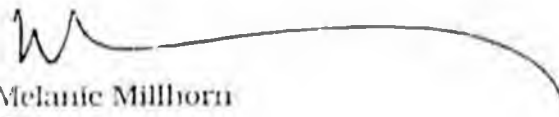
As explained in the overview, IRS qualification provides plan members with significant federal tax benefits. Failure to obtain qualified status for the plans would deprive plan members of these expected benefits.

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

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

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

Sincerely,



Melanie Millhorn
Director

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

cc: Members of House Finance Committee

Scott J. Nordstrand, Commissioner
Department of Administration

Kevin Brooks, Deputy Commissioner
Department of Administration

Michael Tibbles, Deputy Commissioner
Department of Administration

Traci Carpenter, Project Manager
Department of Administration

Virginia Ragle, Assistant Attorney General
Department of Law



April 17, 2006

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VIA E-MAIL

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

Re: CSHB 475

Dear Melanie and Traci:

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

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

BACKGROUND

PERS Tier 4 and TRS Tier 3

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

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Traci Carpenter
April 17, 2006
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HRAs

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

IMPORTANCE OF QUALIFIED STATUS – FOR NEW PLANS

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

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

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

MECHANICS OF THE PLAN DETERMINATION PROCESS – FOR NEW PLANS

What is filed with the IRS?

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

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

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

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

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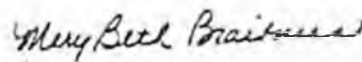
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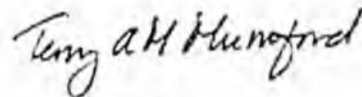
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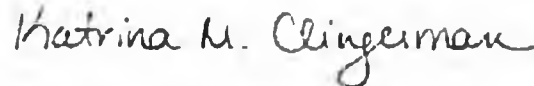
ICE MILLER LLP



Mary Beth Braitman



Terry A.M. Mumford



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cc: Virginia Ragle

ALASKA STATE LEGISLATURE

Chair
STATE AFFAIRS

Member
RESOURCES

Member
HEALTH, EDUCATION AND SOCIAL SERVICES

Member
WAYS AND MEANS

4-12

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1-800-665-2689
Rep.Paul.Seaton@legis.state.ak.us

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345 W. Sterling Highway
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Homer, Alaska 99603
Phone 907-235-2921
Fax 907-235-4008

REPRESENTATIVE PAUL SEATON
House District 35

Sponsor Statement CSHB 475

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

Revisions encompassed in HB 475:

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

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





NEA-ALASKA

Affiliated with the National Education Association

4-18

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

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

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

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

AS 24.08.036. Fiscal notes on bills affecting retirement systems.

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

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

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

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

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

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

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

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

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

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

Thank you for your time.

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

DIVISION OF RETIREMENT AND BENEFITS

FRANK H. MURKOWSKI, GOVERNOR

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March 28, 2006

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

APR 02 2006

Re: Response to IRS Questions

Dear Representative Weyhrauch:

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

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

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

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

2. *Has the state requested IRS Rulings?*

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

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

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

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

Sincerely,



Melanie Millhorn
Director

Enclosure(s)

cc: Members of Special Committee on Ways and Means

Scott J. Nordstrand, Commissioner
Department of Administration

Kevin Brooks, Deputy Commissioner
Department of Administration

Michael Tibbles, Deputy Commissioner
Department of Administration