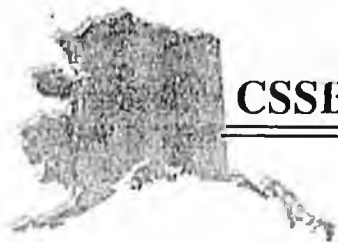


ALASKA LEGISLATURE

HOUSE and SENATE FINANCE COMMITTEE FILES, 2005-2006 3017



Spend down scenarios

HRA Contributions:
2.0%, no cap

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

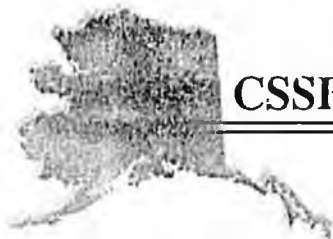
Beginning balance from table on Slide 7 →

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

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

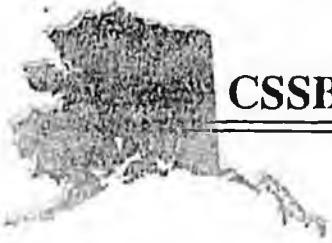
*Source: National Vital Statistics Reports, Vol.51, No. 3, December 19,2002, p. 29. The tables used are for all races based on year 2000 data.





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

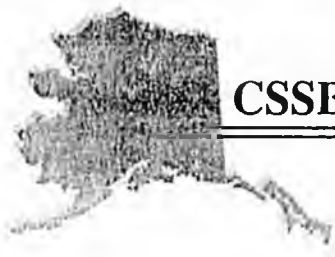




Eligibility for members to convert from the DB plan to the DC plan

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





Mechanics of Conversion

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

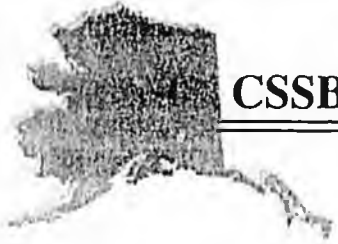




Potential Cost to Employers

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





Example of retirement lifetime benefits under DB plan

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

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

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

Corrected April 8, 2005





Refunded Accounts





Refunded Accounts By System

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

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

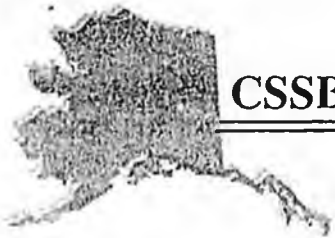
However, they can come back, set up their indebtedness, pay off the indebtedness, serve until vested and then get a benefit from the system.

5,639 members are already vested.

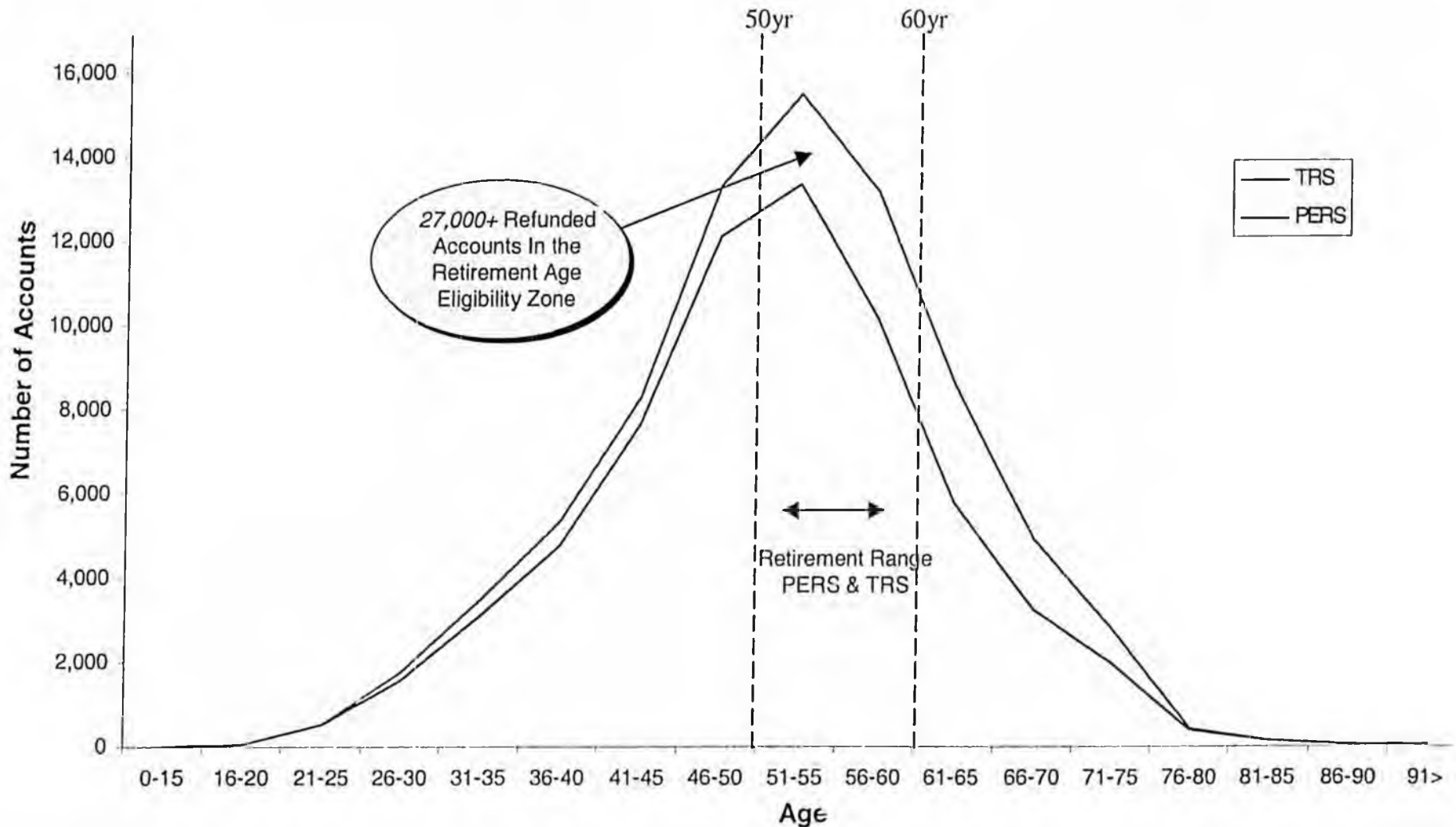
They can be rehired, pay their indebtedness, leave immediately and have 100% system paid medical at retirement.

Refunded Accounts Represent a Looming Liability for the System





Age Distribution of PERS & TRS Refunded Accounts



Refunded Accounts Represent a Looming Liability for the System

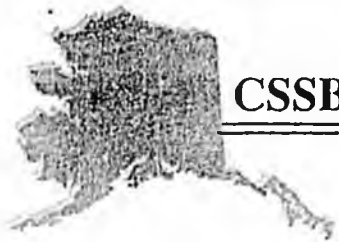




CSSB 141 (FIN) Solution

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





*Post Pension Retirement
Adjustments (PRPA)*





Current Retirement Pension Adjustments

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

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

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

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





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

AdHoc PRPA's Have a Huge Effect on Future Liabilities





Ad hoc and Automatic PRPA Example

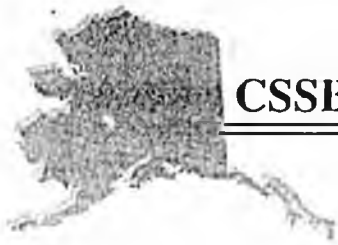
Tier I Retiree Retired 1/1/97 Age 50									
Change in CPI	Ad Hoc PRPA % Granted*	Auto PRPA % Granted	PRPA Date	Age	Base Benefit	Ad Hoc PRPA Amt	Auto PRPA Amount	PRPA Type	PRPA Paid
3.163%	3.000%	1.581%	7/1/1997	50	\$ 2,248.86	NE	NE	Ad hoc	
1.045%	4.000%	0.522%	7/1/1998	51	\$ 2,248.86	\$ 15.60	NE	Ad hoc	
1.103%	4.000%	0.551%	7/1/1999	52	\$ 2,248.86	\$ 25.00	NE	Ad hoc	
0.954%	4.000%	0.477%	7/1/2000	53	\$ 2,248.86	\$ 21.86	NE	Ad hoc	
2.837%	4.000%	1.418%	7/1/2001	54	\$ 2,248.86	\$ 65.58	NE	Ad hoc	
3.022%	3.000%	1.511%	7/1/2002	55	\$ 2,248.86	\$ 71.82	\$ 37.00	Ad hoc	
1.849%	None	0.924%	7/1/2003	56	\$ 2,248.86	\$ -	\$ 22.63	Auto	
3.193%	None	1.596%	7/1/2004	57	\$ 2,248.86	\$ -	\$ 39.08	Auto	
Total PRPA Granted:									\$261.57

Tier II Retiree Retired 1/1/97 Age 55				
Age	Base Benefit	Auto PRPA Amt	PRPA % Granted	
55	\$ 2,248.86	NE	NE	
56	\$ 2,248.86	NE	NE	
57	\$ 2,248.86	NE	NE	
58	\$ 2,248.86	NE	NE	
59	\$ 2,248.86	NE	NE	
60	\$ 2,248.86	\$ 37.00	1.645%	
61	\$ 2,248.86	\$ 22.63	1.006%	
62	\$ 2,248.86	\$ 39.08	1.738%	
Total PRPA Granted			\$ 98.71	\$98.71

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

NE = Non Eligible

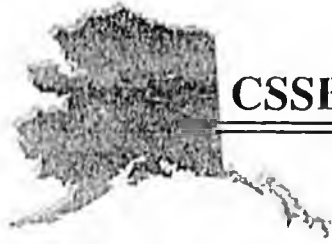




PRPA Awarding History					
PRPA Date	Monthly Benefit Increase			Total 12 Month Cash Increase	Resulting Actuarial Loss
	PERS	TRS	Total		
1995	Paid in '97	Paid in '97	NA		
1996	Paid in '97	Paid in '97	NA		
1997	\$ 2,289,639	\$ 2,877,374	\$ 5,167,013		
1998	\$ 171,502	\$ 149,500	\$ 321,002	\$ 3,852,024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

AdHoc PRPA's Have a Huge Effect on Future Liabilities

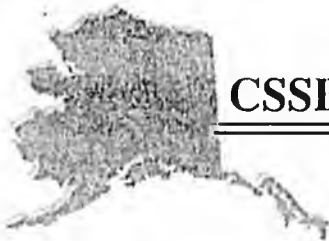




CSSB 141 (FIN) Solution

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





Appendix





Funding Ratios

(Actuarial Asset Value/Total Accrued Benefits)

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

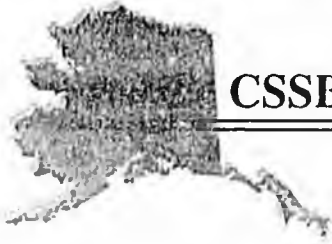


Summary of Accrued Assets and Liabilities - PERS							
Valuation Date	Accrued Liability (000's)	Valuation Assets (000's)	Surplus Actuarial (000's)	Market Value Asstes (000's)	Surplus Market (000's)	Funding Ratio	
						Actuarial Value of Assets	Market Value of Assets
June 30, 2004	11,443,916	8,030,414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

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

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



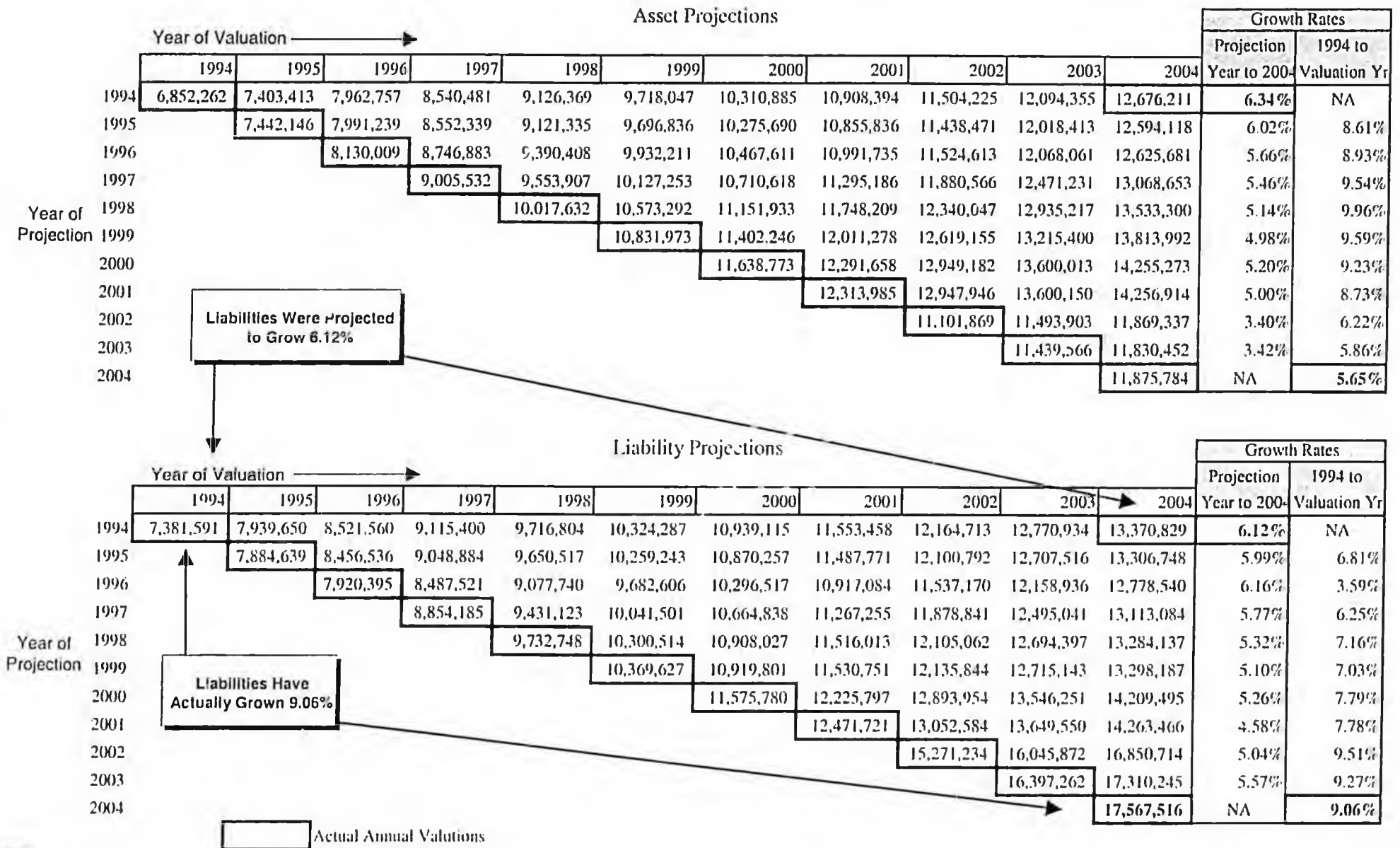


CSSB 141(FIN) – Retirement Security Act

Appendix C

State of Alaska PERS & TRS Combined

Mercer Financial Projections 1994 - 2004
(000's)





PERS Analysis of Valuation

Cumulative Change in Average Employer Contribution Rate

1998 through 2004

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

What factors contributed to that increase?

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

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

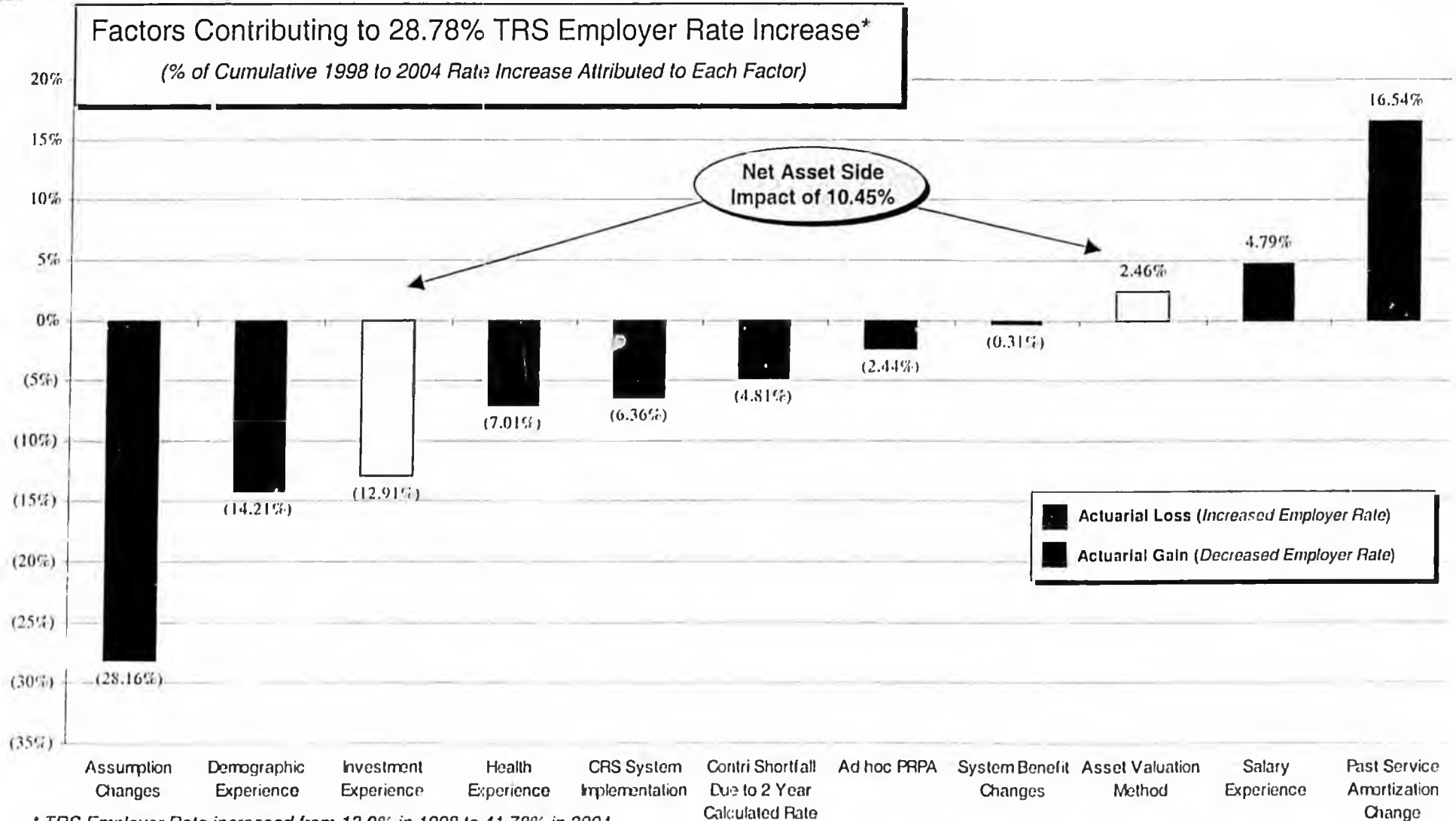
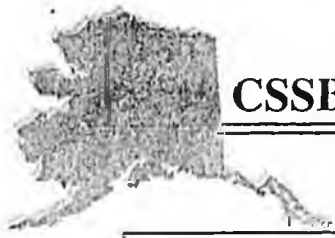




PERS Analysis of Valuation
 Cumulative Change in Average Employer Contribution Rate
 1998 to 2004

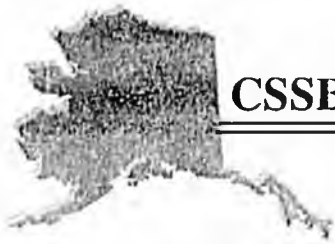
Type of Gain or Loss (as of June 30)	Weighted Absolute Change	Absolute Change	Total	2004	2003	2002	2001	2000	1999	1998
Health Experience	10.51%	3.68%	3.68%	0.00%	0.00%	3.68%	0.00%	0.00%	0.00%	0.00%
Salary Experience	5.80%	2.03%	(2.03%)	0.08%	(0.19%)	(0.20%)	(1.03%)	0.00%	(0.23%)	(0.46%)
Investment Experience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





A Combination of Factors Created Our Present Situation





TRS Analysis of Valuation

Cumulative Change in Average Employer Contribution Rate

1998 through 2004

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

What factors contributed to that increase?

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





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

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





Assumptions:

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

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

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

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

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

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

Assumption Changes:

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

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





Investment Experience:

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

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

Health Experience:

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

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

Demographic Experience:

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

CRS System Implementation:

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

Contribution Shortfall:

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





Asset Valuation Method:

PERS:

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

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

TRS:

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

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

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





102% Funding Ratio Adjustments:

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

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

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

Ad hoc PRPA

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

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

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

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

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





System Benefit Changes:

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

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

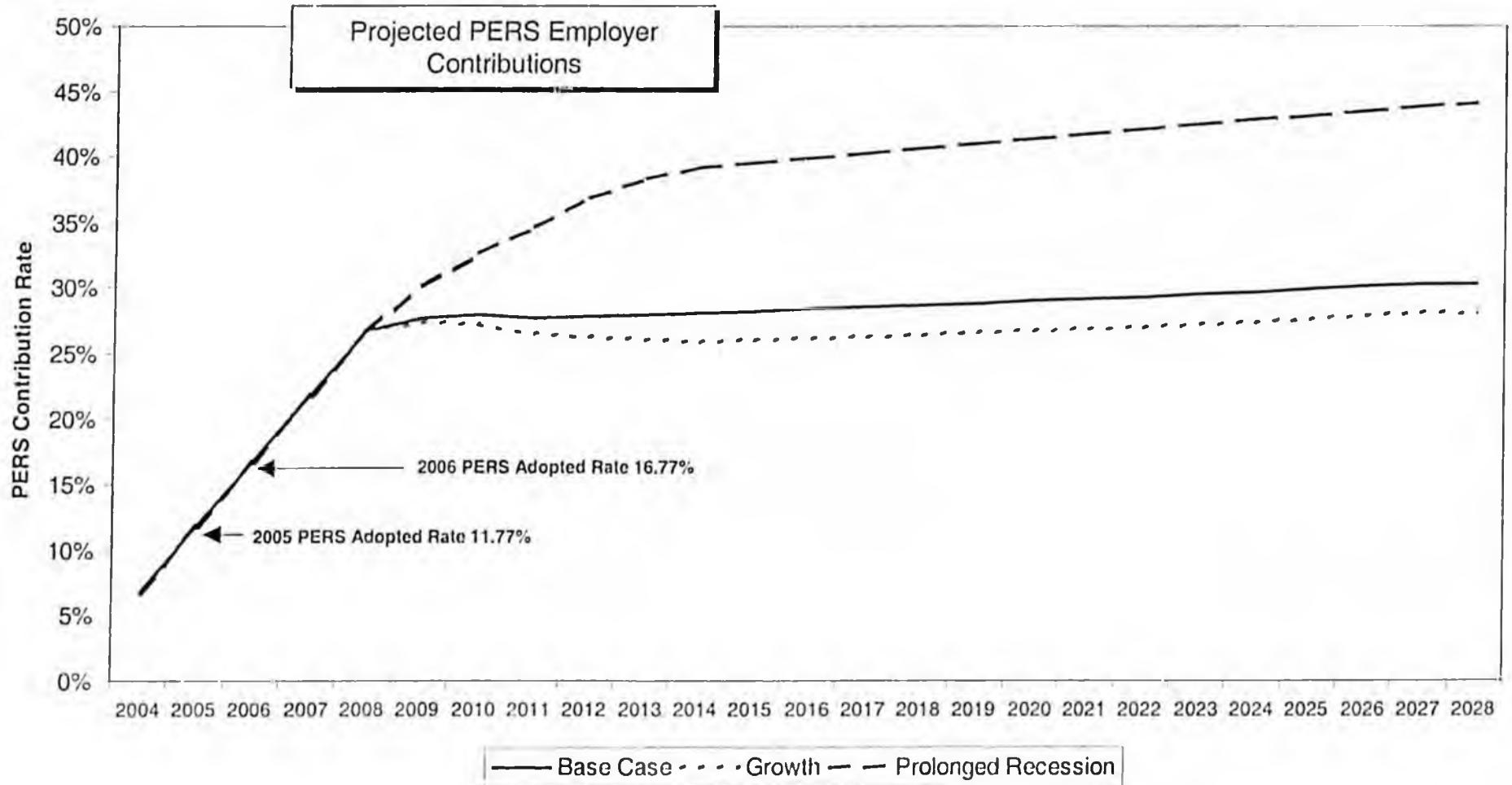
Salary Experience:

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

Past Service Amortization Change:

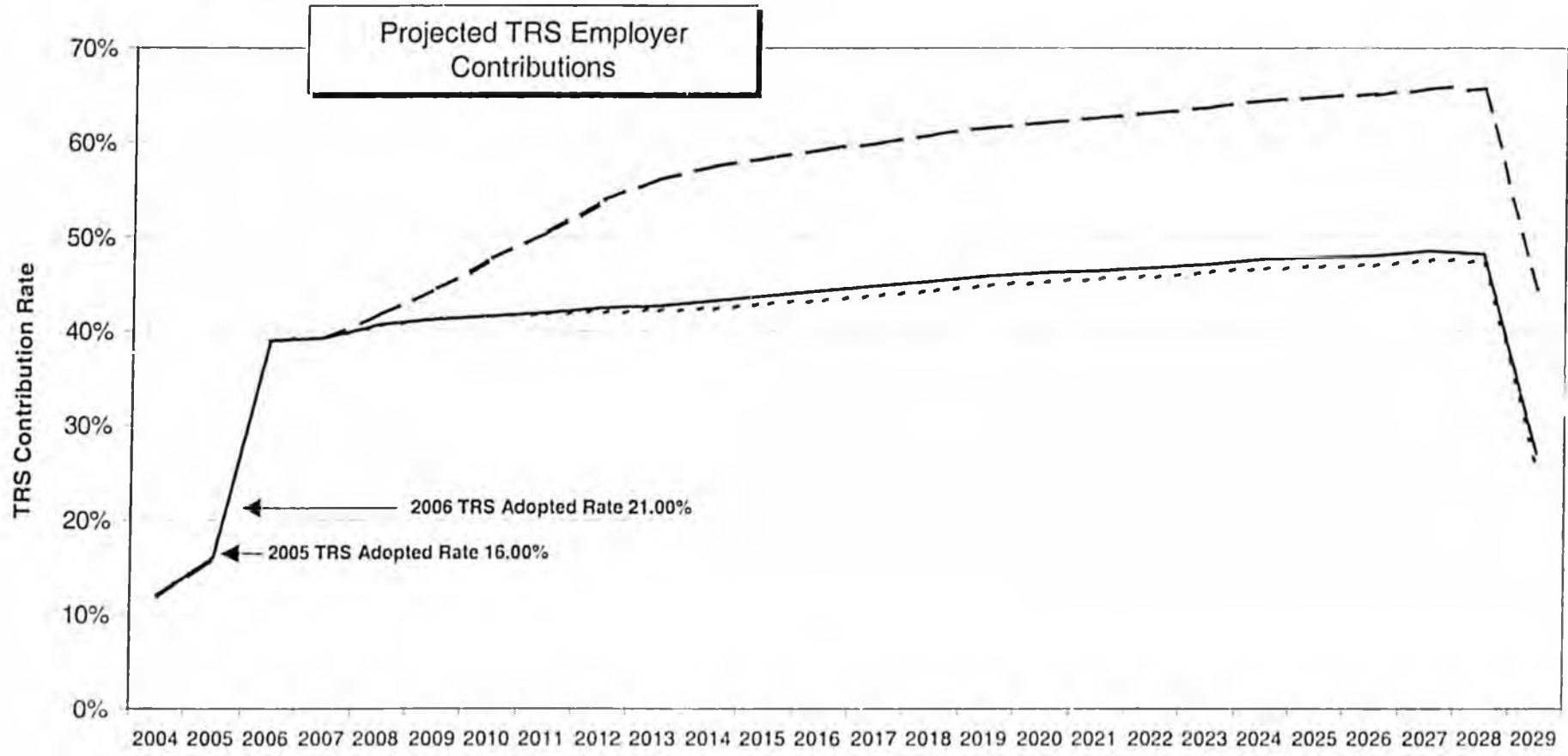
As a result of the 2002 Actuarial Audit performed by Milliman USA in 2002, effective June 30, 2002, the Board adopted a 25-year fixed period level percentage of pay amortization of the Unfunded Accrued Liability. This change is consistent with the 5-year recognition of gains or losses used in the new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





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





— Base Case - - - Growth - - Prolonged Recession

Assuming an Annual Population Increase 1%

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



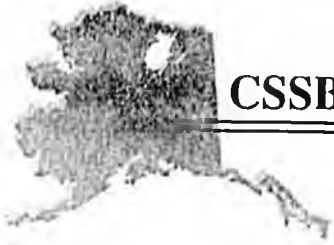


FY 06 Normal Cost Comparisons – Proposed DC Plan vs. Existing TRS/PERS (all Tiers)

FY 06 Normal Cost Rates

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





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

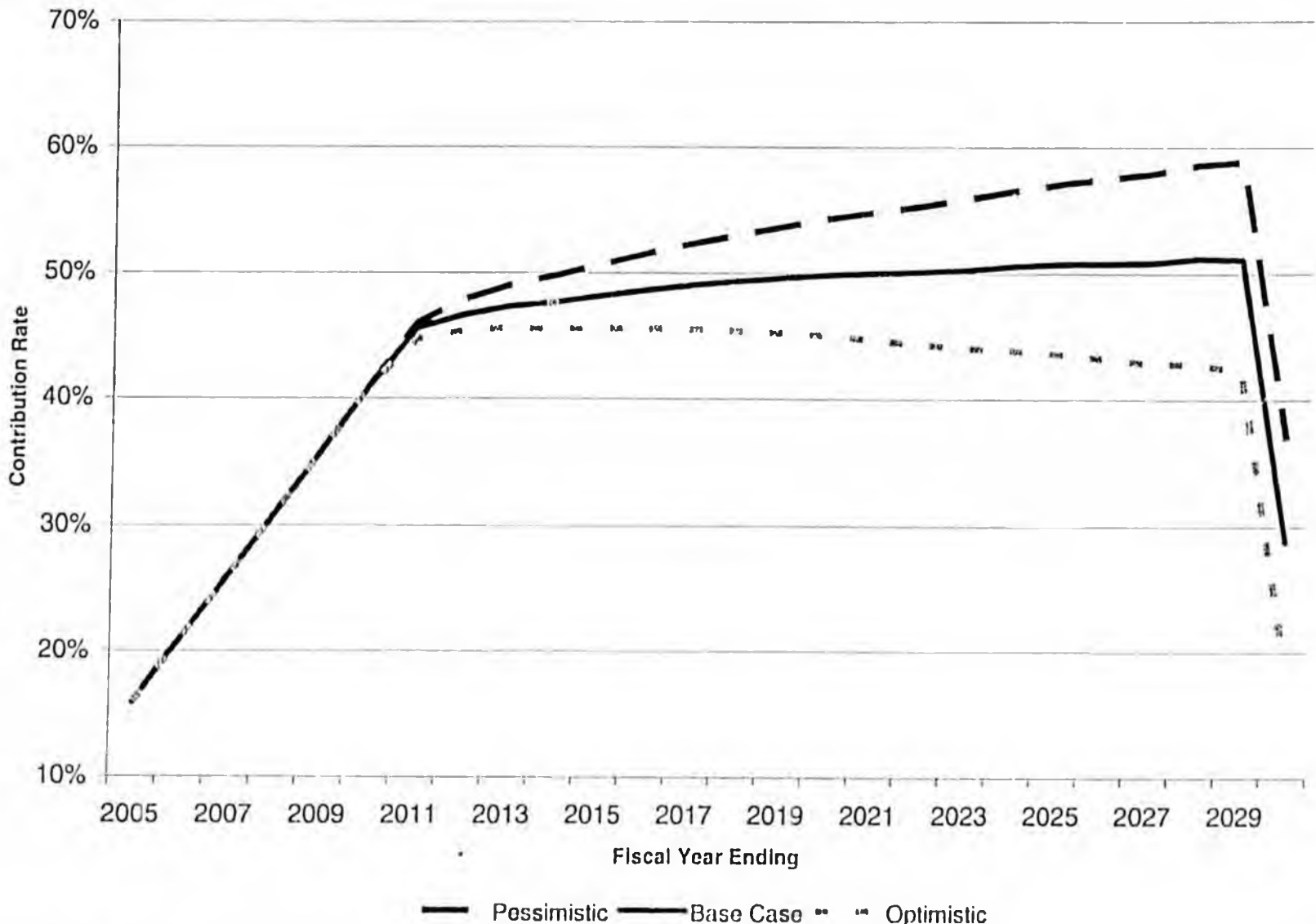
FY 07 Normal Cost Rates

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



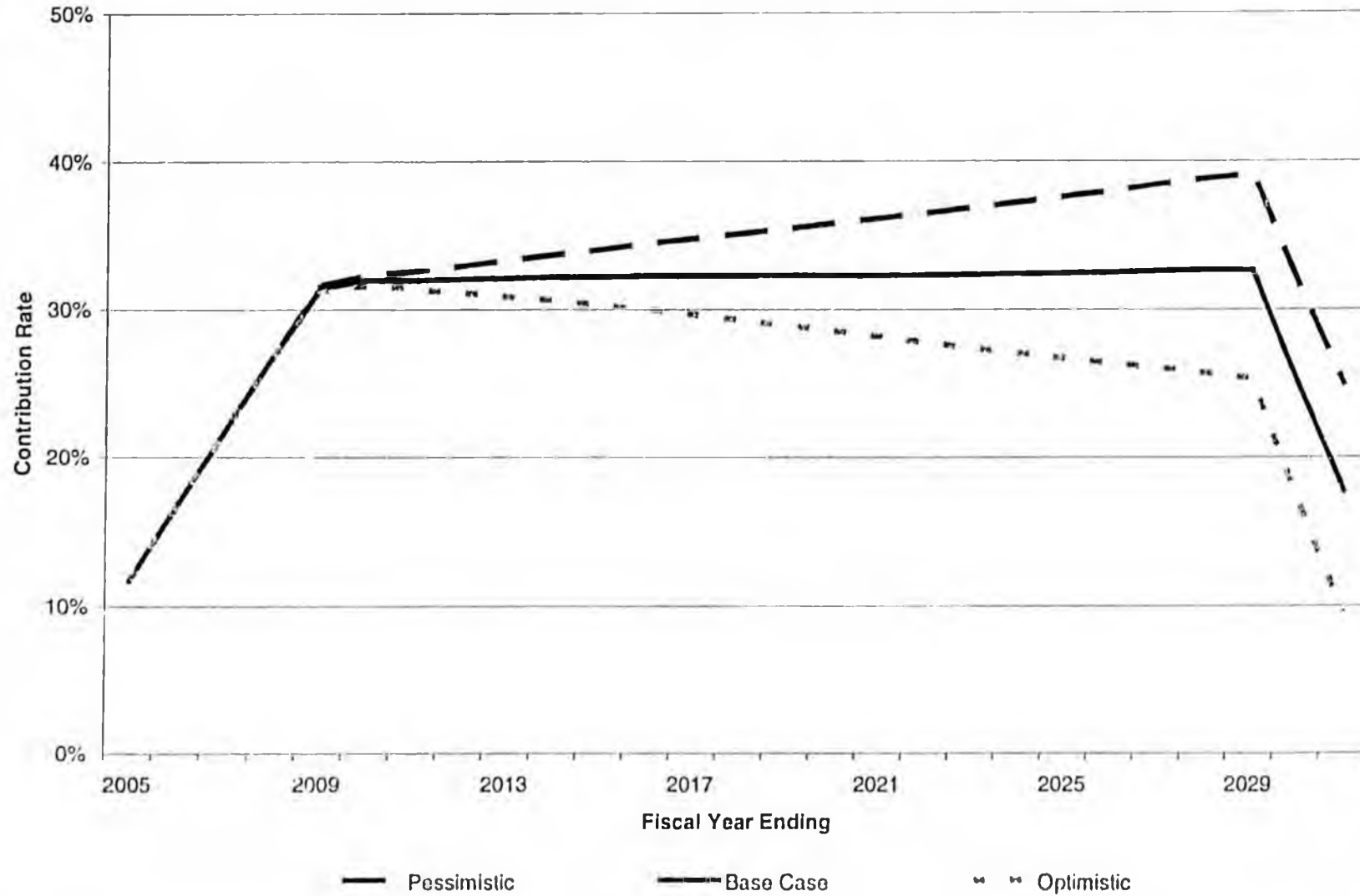
1.5(c) Actuarial Projections – Effect of Economic Scenarios (continued)

Contribution Rate



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

Contribution Rate

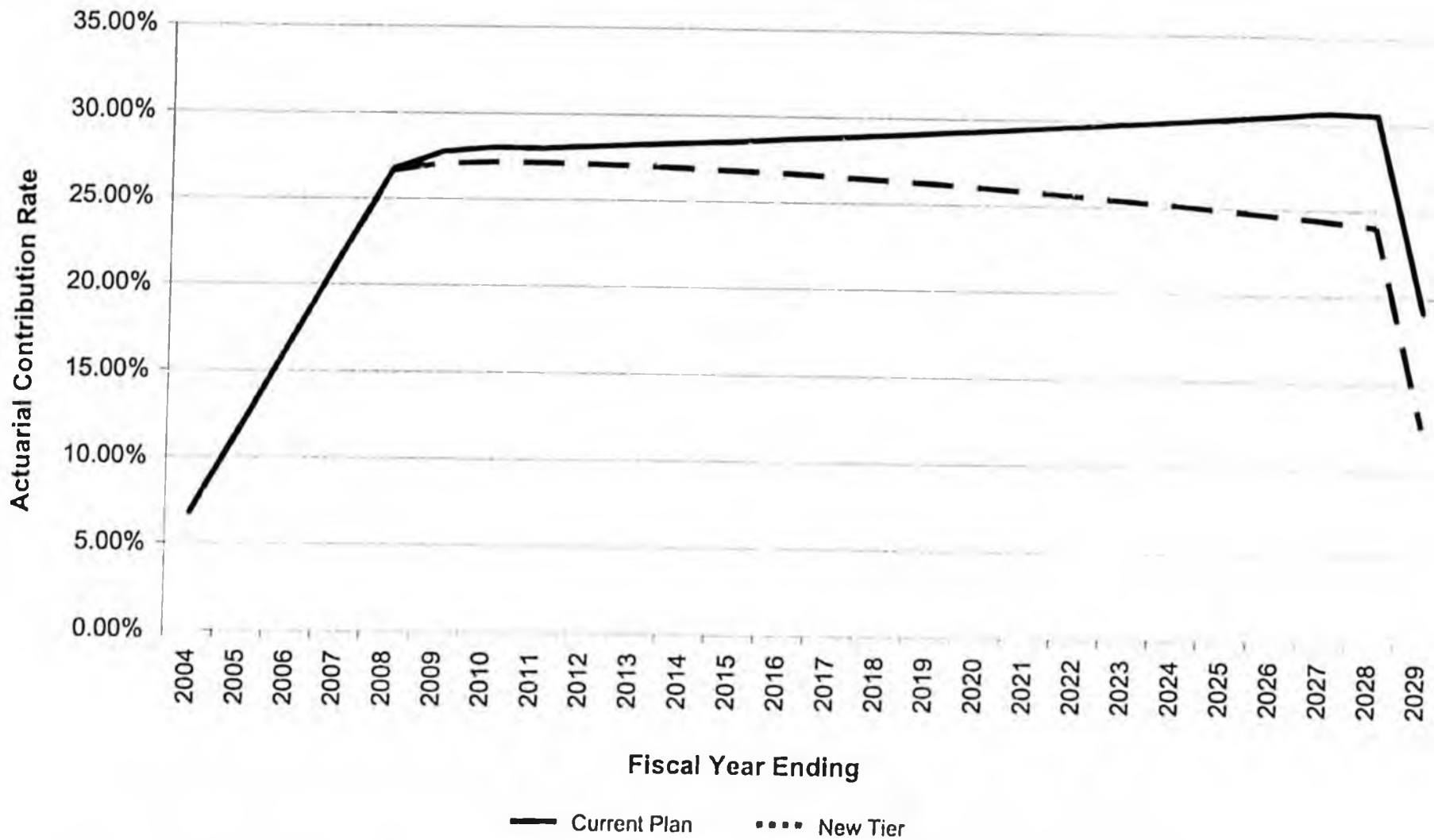




Proposed Alternatives

Cost Projections - PERS

Contribution Comparison – PERS

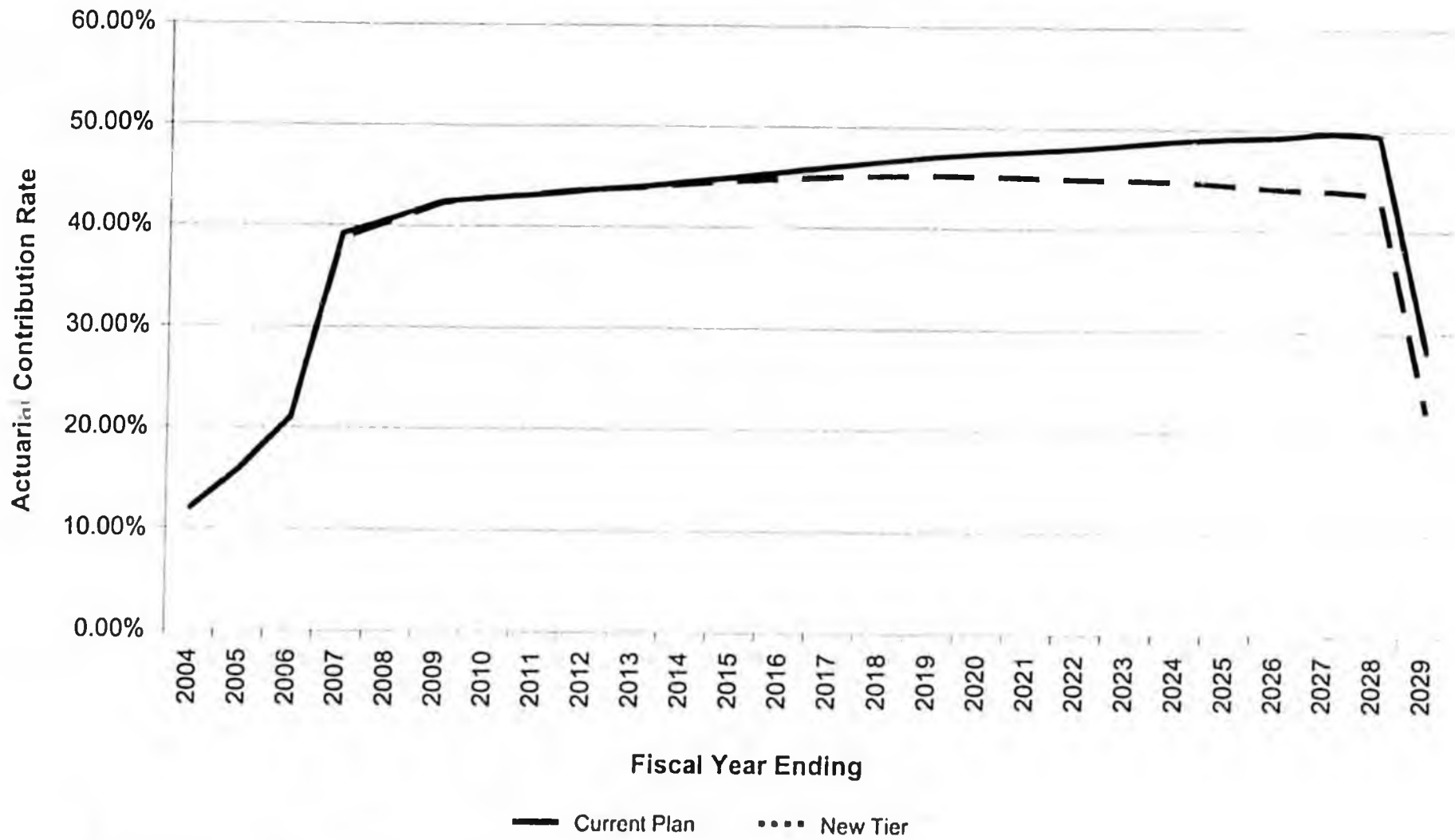




Proposed Alternatives

Cost Projections - TRS

Contribution Comparison – TRS



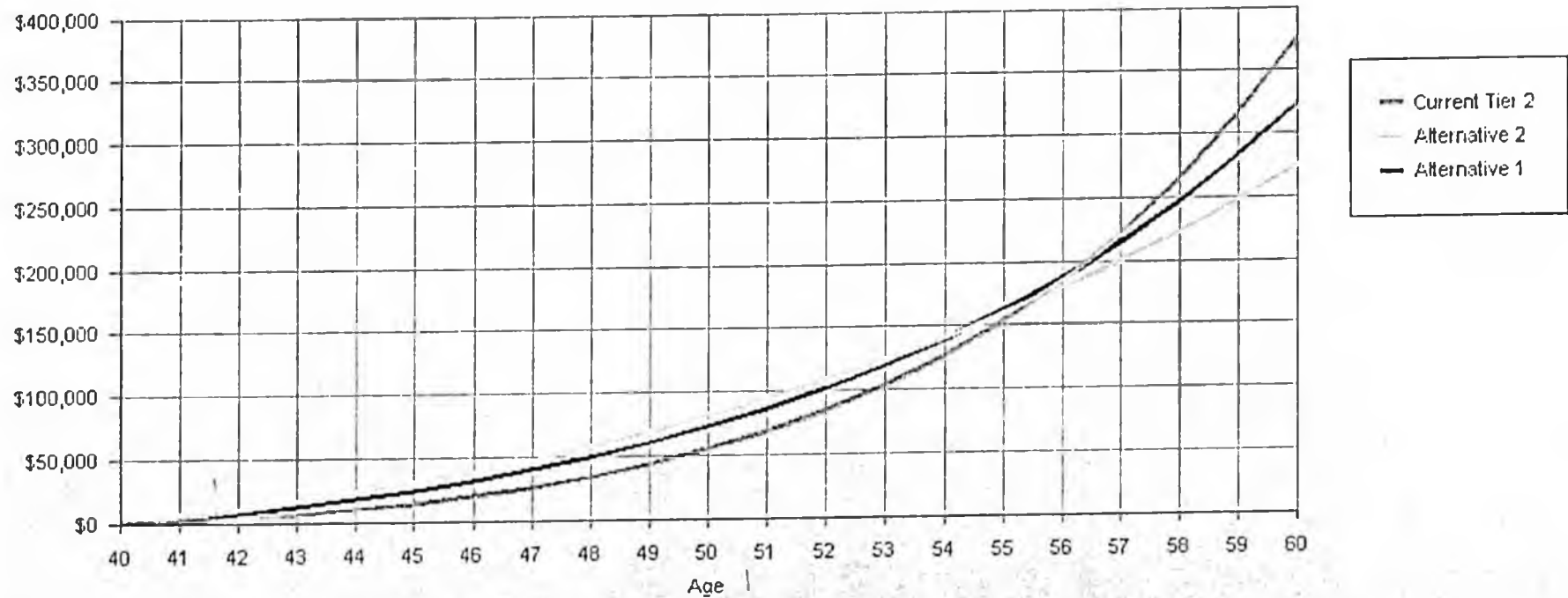


Proposed Alternatives

Accrual of Non-Medical Benefits - TRS

Present Value of Benefit Payable as a Lump Sum

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



Equity: Rate of return on account balance: 8.3%
 Bond: Rate of return on account balance: 4.5%
 Equity investment mix: 80% 70% 60% 50% 40% Post-retirement: 20%
 Salary increase rate: 5.5% 4%

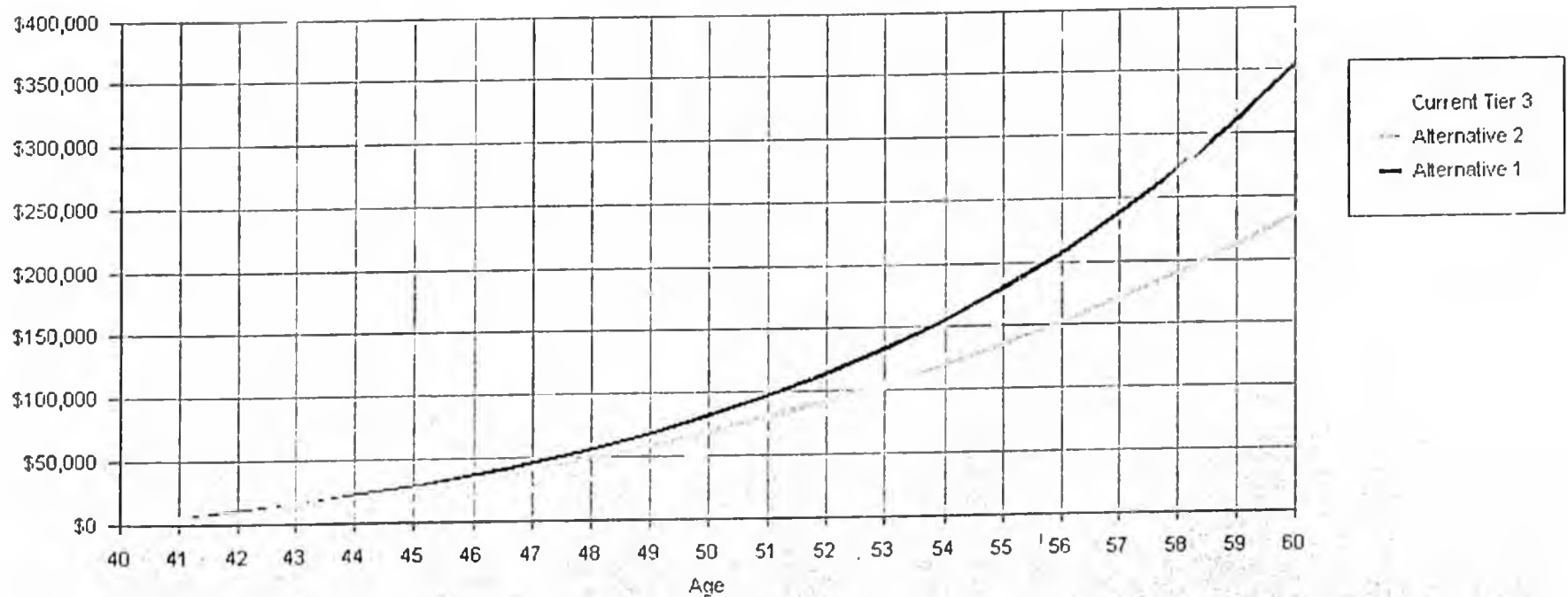


Proposed Alternatives

Accrual of Non-Medical Benefits - PERS

Present Value of Benefit Payable as a Lump Sum

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



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

R/S Objected

WORK DRAFT

WORK DRAFT

WORK DRAFT

Withdrawn
4/30/05

4/28/05 PM

24-LS0637C
Craver
4/26/05

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

BY THE HOUSE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE FINANCE COMMITTEE

4/28 PM
MOVED BY
Hawley

A BILL

FOR AN ACT ENTITLED

Reggie
OBJECTED

left at that

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

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

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

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

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

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

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

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

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

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

- 20 (1) establish and maintain an adequate system of accounts;
21 (2) transmit the funds deposited in the system to the retirement fund
22 established and maintained by the Alaska Retirement Management Board;
23 (3) approve or disapprove claims for retirement benefits;
24 (4) make payments for the various purposes specified;
25 (5) submit periodic reports or statements of account that are needed;
26 (6) issue a statement of account to an employee not less than once each
27 year showing the amount of the employee's contributions to the applicable plan in the
28 system;
29 (7) formulate and recommend to the commissioner of administration
30 regulations to govern the operation of the system;

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

5 (A) a balance sheet;

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

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

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

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

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

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

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

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

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

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

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

1 administration of each plan in the system.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

29 (c) The employer shall deduct the contribution from the member's
30 compensation at the end of each payroll period, and the contribution shall be credited
31 by the administrator to the member's individual account. The contributions shall be

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

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

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

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

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

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

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

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

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

4 (d) In this section,

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

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

10 (3) "eligible retirement plan" means

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 medical care;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 regulations adopted by the commissioner of administration.

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

4 (1) the form of payment election;

5 (2) an election to commence benefits; or

6 (3) the joint annuitant designation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10 (i) In this section,

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

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

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

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

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

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

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

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

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

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

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

20 (4) to the estate.

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

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

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

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

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

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

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

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

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

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

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

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

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

1 coverage except for failure to pay the required premium.

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

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

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

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

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

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

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

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

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

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

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

1 years of service;

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

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

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

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

10 (1) be informed by the administrator in writing

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

15 (h) In this section,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

20 (7) "compensation"

21 (A) means

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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