

ALASKA LEGISLATURE

HOUSE and SENATE FINANCE COMMITTEE FILES, 2005-2006 3022

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

4 (h) In this section,

5 (1) "defined benefit retirement plan" means the retirement plan  
 6 established in AS 39.35.095 - 39.35.680;

7 (2) "defined contribution retirement plan" means the retirement plan  
 8 established in AS 39.35.700 - 39.35.990.

9 **Sec. 39.35.950. Request by political subdivision to participate and**  
 10 **adoption of resolution.** A municipality or other political subdivision of the state may  
 11 request to become an employer in this plan. The request shall be made after adoption  
 12 of a resolution by the legislative body of the political subdivision and after approval of  
 13 the resolution by the person required by law to approve the resolution. A certified  
 14 copy of the resolution shall be filed with the administrator. If the administrator  
 15 approves the request for participation, the political subdivision is an employer of the  
 16 plan.

17 **Sec. 39.35.955. Request by public organization to participate and**  
 18 **adoption of resolution.** A public organization may request to become an employer in  
 19 this plan. The request shall be made after adoption of a resolution by the governing  
 20 body of the public organization. A certified copy of the resolution shall be filed with  
 21 the administrator. If the administrator approves the request for participation, the  
 22 public organization is an employer of the plan.

23 **Sec. 39.35.960. Membership in teachers' and public employees'**  
 24 **retirement systems.** A person who is employed at least half-time in the public  
 25 employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990) during the  
 26 same period that the person is employed at least half-time in a position in the teachers'  
 27 defined contribution retirement plan (AS 14.25.310 - 14.25.590) shall receive credited  
 28 service under each plan for half-time employment. However, the amount of credited  
 29 service a person receives under the public employees' defined contribution retirement  
 30 plan during a school year may not exceed the amount necessary, when added to the  
 31 amount of credited service earned during the school year under the teachers' defined

1 contribution retirement plan, to equal one year of credited service.

2 **Sec. 39.35.965. Army and air national guard employees.** A regular full-  
3 time civilian employee of the Alaska Army National Guard and Air National Guard  
4 whose entire salary is paid from allotted federal funds is included in the public  
5 employees' defined contribution retirement plan (AS 39.35.700 - 39.35.990) if the  
6 federal or state government pays the employer's contributions. If the amount that the  
7 federal government may legally contribute to the plan is lower than the required  
8 employer's contribution, the state government shall contribute the difference. If the  
9 employer's contributions are not paid when due, service credit for the period of  
10 delinquency may not be granted until the contributions are paid.

11 **Sec. 39.35.970. North Pacific Fishery Management Council employees.**  
12 An employee of the North Pacific Fishery Management Council appointed under 16  
13 U.S.C. 1852(f)(1) (Sec. 302(f)(1) of P.L. 94-265) whose compensation is paid from  
14 allotted federal funds is included in the public employees' defined contribution  
15 retirement plan (AS 39.35.700 - 39.35.990) if the council pays the employer's  
16 contributions. If the employer's contributions are not paid when due, credited service  
17 for the period of delinquency may not be granted until the contributions are paid.

18 ~~Sec. 39.35.975 deleted~~

18 **Sec. 39.35.990. Definitions.** In AS 39.35.700 - 39.35.990, unless the context  
19 requires otherwise,

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

22 (2) "alternate payee" means the person for whom an amount has been  
23 separated into an account under a qualified domestic relations order;

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

26 (4) "beneficiary" means the person or persons entitled under the  
27 provisions of this plan to receive benefits after the death of a member or alternate  
28 payee;

29 (5) "board" has the meaning given in AS 39.35.680;

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

31 (7) "compensation"

#18

1 (A) means

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

6 (ii) the member contribution to the public employees'  
7 retirement system under AS 39.35.730, employee deferrals under  
8 AS 39.45.010, the wage reduction amount contributed to the Alaska  
9 Supplemental Annuity Plan under AS 39.30.150(a), and the wage  
10 reduction amount contributed to the Alaska Supplemental Benefit Plan  
11 under AS 39.30.150(c), as those statutes may be amended from time to  
12 time;

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

24 (C) notwithstanding (B) of this paragraph, includes any amount  
25 that is contributed by the employer under a salary reduction agreement and that  
26 is not includible in the gross income of the employee under 26 U.S.C. 125,  
27 132(f)(4), 402(e)(3), 402(h)(1)(B) or 403(b) (Internal Revenue Code); the  
28 annual compensation limitation for the member, which is so taken into account  
29 for those purposes, may not exceed \$200,000, as adjusted for the cost of living  
30 in accordance with 26 U.S.C. 401(a)(17)(B) (Internal Revenue Code), with the  
31 limitation for a fiscal year being the limitation in effect for the calendar year

1 within which the fiscal year begins;

2 (8) "dependent child" has the meaning given in AS 39.35.680;

3 (9) "distribution commencement date" has the meaning given in  
4 AS 39.35.840(a);

5 (10) "employer" means

6 (A) the State of Alaska; or

7 (B) a political subdivision or public organization of the state  
8 that participates in the plan;

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

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

15 (13) "Internal Revenue Code" means the Internal Revenue Code of  
16 1986, as amended;

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

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

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

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

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

29 (19) "participant" means the person who has a vested right to an  
30 individual account, such as a member, an alternate payee if the account is subject to a  
31 qualified domestic relations order, the member's beneficiary if the member is

1           deceased, or an alternate payee's beneficiary if the alternate payee is deceased;

2                       (20) "peace officer" or "fire fighter" has the meaning given in  
3 AS 39.35.680;

4                       (21) "plan" means the retirement plan established in AS 39.35.700 -  
5 39.35.990;

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

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

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

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

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

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

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

24                               (F) does not require any type or form of benefit or any option  
25 not otherwise provided by AS 39.35.700 - 39.35.990;

26                               (G) does not require an increase of benefits in excess of the  
27 amount provided by AS 39.35.700 - 39.35.990; and

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

31                       (24) "retiree" means an eligible person who has elected to receive

1 medical benefits under AS 39.35.880;

2 (25) "surviving spouse" means the spouse of an employee who has  
3 been married to the employee for at least one year at the time of the employee's death;

4 (26) "system" has the meaning given in AS 39.35.680;

5 (27) "year of service" means the equivalent of 52 weeks of permanent  
6 full-time employment, which may consist of a combination of permanent full-time or  
7 permanent part-time membership service; in this paragraph, "permanent full-time" and  
8 "permanent part-time" have the meanings given in AS 39.35.680.

9 \* Sec. 121. AS 39.45.030(a) is amended to read:

10 (a) The Alaska Retirement Management [STATE PENSION  
11 INVESTMENT] Board is authorized, subject to contracts with individual employees,  
12 to invest the funds held under a deferred compensation program. The board has the  
13 same powers and duties concerning the management and investment in regard to those  
14 funds as are provided under AS 37.10.220 [AS 14.25.180].

15 \* Sec. 122. AS 39.45.030(g) is amended to read:

16 (g) In this section, "board" means the Alaska Retirement Management  
17 [STATE PENSION INVESTMENT] Board.

18 \* Sec. 123. AS 39.45.060 is amended by adding a new paragraph to read:

19 (2) "board" means the trustees of the Alaska Retirement Management  
20 Board established under AS 37.10.210.

21 \* Sec. 124. AS 39.50.200(a)(9) is amended to read:

22 (9) "public official" means

23 (A) a judicial officer;

24 (B) the governor or the lieutenant governor;

25 (C) a person hired or appointed in a department in the  
26 executive branch as

27 (i) the head or deputy head of the department;

28 (ii) the director or deputy director of a division;

29 (iii) a special assistant to the head of the department;

30 (iv) a person serving as the legislative liaison for the  
31 department;

1 (D) an assistant to the governor or the lieutenant governor;

2 (E) the chair or a member of a state commission or board  
3 [OTHER THAN PHYSICIAN MEMBERS OR ALTERNATES OF THE  
4 ALASKA TEACHERS' RETIREMENT BOARD APPOINTED UNDER  
5 AS 14.25.035(a)(2) OR OF THE PUBLIC EMPLOYEES' RETIREMENT  
6 BOARD APPOINTED UNDER AS 39.35.030(d);]

7 (F) state investment officers and the state comptroller in the  
8 Department of Revenue;

9 (G) [REPEALED

10 (H)] the chief procurement officer appointed under  
11 AS 36.30.010;

12 (I) [(I)] the executive director of the Alaska Workforce  
13 Investment Board; and

14 (I) [(J)] each appointed or elected municipal officer;

15 \* Sec. 125. AS 39.50.200(b)(54) is amended to read:

16 (54) Alaska Retirement Management [STATE PENSION  
17 INVESTMENT] Board (AS 37.10.210);

18 \* Sec. 126. AS 44.25.020(2) is amended to read:

19 (2) collect, account for, have custody of, invest, and manage all state  
20 funds and all revenues of the state except revenues incidental to a program of licensing  
21 and regulation carried on by another state department, funds managed and invested by  
22 the Alaska Retirement Management [STATE PENSION INVESTMENT] Board,  
23 and as otherwise provided by law;

24 \* Sec. 127. AS 44.25.028(a) is amended to read:

25 (a) The commissioner of revenue may designate employees of the Department  
26 of Revenue who are subject to the provisions of AS 39.50 because of their  
27 responsibility for participating in the management or investment of the funds for  
28 which the Alaska Retirement Management [STATE PENSION INVESTMENT]  
29 Board is responsible.

30 \* Sec. 128. AS 44.25.028(b) is amended to read:

31 (b) If an officer or employee of the Department of Revenue with responsibility

1 for funds for which the Alaska Retirement Management [STATE PENSION  
 2 INVESTMENT] Board is responsible acquires, owns, or controls an interest, direct or  
 3 indirect, in an entity or project in which assets under the control of the board are  
 4 invested, the officer or employee shall immediately disclose the interest to the board.  
 5 The disclosure is a matter of public record and shall be included in the minutes of the  
 6 board meeting next following the disclosure. The commissioner shall adopt  
 7 regulations to restrict officers and employees of the department from having a  
 8 substantial interest in an entity or project in which assets under the control of the board  
 9 are invested.

10 \* Sec. 129. AS 44.64.030(a) is amended by adding a new paragraph to read:

11 (36) AS 14.25.006 (teachers' retirement system);

12 (37) AS 39.35.006 (public employees' retirement system).

13 \* Sec. 130. AS 14.25.012(a), 14.25.015, 14.25.020, 14.25.022, 14.25.030, 14.25.035,  
 14 14.25.037, 14.25.170, 14.25.175(e), 14.25.180, 14.25.190, 14.25.220(41); AS 39.30.175(f);  
 15 AS 39.35.010, 39.35.011, 39.35.020, 39.35.030, 39.35.040, 39.35.042, 39.35.047, 39.35.060,  
 16 39.35.080, 39.35.090, 39.35.520(c), 39.35.522(c), 39.35.522(c); AS 39.45.025;  
 17 AS 39.50.200(b)(23), and 39.50.200(b)(29) are repealed.

18 \* Sec. 131. AS 14.25.061(c), 14.25.062; and AS 39.35.350 are repealed.

19 \* Sec. 132. The uncodified law of the State of Alaska is amended by adding a new section  
 20 to read:

21 TRANSITION: INITIAL STAGGERED TERMS OF TRUSTEES OF THE  
 22 ALASKA RETIREMENT MANAGEMENT BOARD. Notwithstanding AS 37.10.210(c), as  
 23 repealed and reenacted by sec. 59 of this Act, the terms of the initially appointed trustees of  
 24 the Alaska Retirement Management Board who are not commissioners shall be set by the  
 25 governor to achieve staggered terms in the manner provided for nine-member boards by  
 26 AS 39.05.055(7).

27 \* Sec. 133. The uncodified law of the State of Alaska is amended by adding a new section  
 28 to read:

29 TERMS OF MEMBERS OF THE ALASKA TEACHERS' RETIREMENT BOARD,  
 30 AND THE PUBLIC EMPLOYEES' RETIREMENT BOARD. The terms of all board  
 31 members appointed to the Alaska Teachers' Retirement Board, and the Public Employees'

#17

1 Retirement Board expire on the effective date of this section.

2 \* Sec. 134. The uncodified law of the State of Alaska is amended by adding a new section  
3 to read:

4 TERMS OF MEMBERS OF THE ALASKA STATE PENSION INVESTMENT  
5 BOARD. The terms of all board members appointed to the Alaska State Pension Investment  
6 Board expire on September 30, 2005.

7 \* Sec. 135. The uncodified law of the State of Alaska is amended by adding a new section  
8 to read:

9 TRANSITION OF DUTIES BETWEEN ALASKA STATE PENSION  
10 INVESTMENT BOARD AND THE ALASKA RETIREMENT MANAGEMENT BOARD.

11 (a) After the effective date of this section and until September 30, 2005, the Alaska State  
12 Pension Investment Board shall continue to exercise the powers and duties assigned in this  
13 Act to the Alaska Retirement Management Board. The Alaska State Pension Investment  
14 Board shall take actions to facilitate the transition of duties formerly assigned to the Alaska  
15 State Pension Investment Board to the duties assigned in this Act to the Alaska Retirement  
16 Management Board. A member of the Alaska Retirement Management Board appointed to  
17 serve as a trustee before September 30, 2005, shall be invited to observe and train with the  
18 Alaska State Pension Investment Board.

19 (b) The Alaska Retirement Management Board may not assume the duties and  
20 responsibilities assigned to the Alaska Retirement Management Board in this Act until  
21 October 1, 2005.

22 \* Sec. 136. The uncodified law of the State of Alaska is amended by adding a new section  
23 to read:

24 TRANSITION. Hearings and other proceedings pending under a law amended or  
25 repealed by this Act or in connection with functions transferred by this Act continue in effect  
26 and may be continued and completed notwithstanding a transfer or amendment or repeal  
27 provided for in this Act. Orders and regulations issued or adopted under authority of a law  
28 amended or repealed by this Act remain in effect for the term issued, or until revoked,  
29 vacated, or otherwise modified under the provisions of this Act. Contracts, rights, liabilities,  
30 and obligations created by or under a law amended or repealed by this Act, and in effect on  
31 the effective date of this section, remain in effect notwithstanding this Act's taking effect.

1 Records, equipment, appropriations, funds, and other property of boards or agencies of the  
 2 state whose functions are transferred under this Act shall be transferred to implement the  
 3 provisions of this Act.

4 \* Sec. 137. The uncodified law of the State of Alaska is amended by adding a new section  
 5 to read:

6 TRANSITION: REGULATIONS. (a) The Department of Administration and the  
 7 Department of Revenue may proceed to develop and adopt regulations required to implement  
 8 this Act.

9 (b) Regulations adopted by the Department of Administration and the Department of  
 10 Revenue under this Act relate to the internal management of a state agency, and the adoption  
 11 of the regulations is not subject to AS 44.62 (Administrative Procedure Act).

12 \* Sec. 138. The uncodified law of the State of Alaska is amended by adding a new section  
 13 to read:

14 REPORT TO THE LEGISLATURE BY ALASKA RETIREMENT MANAGEMENT  
 15 BOARD. It is the intent of the legislature that there will be a moratorium after the effective  
 16 date of this Act on legislation affecting all public employees' retirement plans until the Alaska  
 17 Retirement Management Board can present a report to the legislature containing the board's  
 18 assessment and recommendations as provided in this section. The Alaska Retirement  
 19 Management Board shall report to the legislature 120 days after all members are appointed to  
 20 the board, or 15 days after the first day of the first regular legislative session following the  
 21 effective date of this section, whichever is first. The report must include the board's

22 (1) preliminary assessment of the financial health of all public employees'  
 23 retirement plans and all teachers' retirement plans;

24 (2) assessment of the actuarial services purchased by the board;

25 (3) recommendations for additional legislative or administrative policy to  
 26 improve the financial health of the retirement plans;

27 (4) short-term and long-term recommendations for addressing the unfunded  
 28 liability of the retirement plans; and

29 (5) recommendations for legislative procedures regarding fiscal notes for new  
 30 legislation affecting the retirement plans.

31 \* Sec. 139. The uncodified law of the State of Alaska is amended by adding a new section

1 to read:

2 INSTRUCTION REGARDING ALASKA TEACHERS' RETIREMENT SYSTEM  
3 BOARD, ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM BOARD, AND  
4 ALASKA STATE PENSION INVESTMENT BOARD. Wherever in the Alaska Statutes and  
5 the Alaska Administrative Code the terms "Alaska Teachers' Retirement System Board,"  
6 "Alaska Public Employees' Retirement System Board," or "Alaska State Pension Investment  
7 Board" are used, they shall be read as "Alaska Retirement Management Board" when to do so  
8 would be consistent with the changes made by this Act.

9 \* Sec. 140. The uncodified law of the State of Alaska is amended by adding a new section  
10 to read:

11 SPECIFIC INSTRUCTIONS TO REVISOR OF STATUTES CONCERNING  
12 SPECIFIC REFERENCES. (a) The revisor of statutes shall change references to "this  
13 chapter" to "AS 14.25.009 - 14.25.220" in the following statutes: AS 14.25.040(b),  
14 14.25.040(c), 14.25.045(a), 14.25.047, 14.25.061(a), 14.25.062, 14.25.063(a), 14.25.075(c),  
15 14.25.105, 14.25.107, 14.25.110(k), 14.25.142, 14.25.150(b), 14.25.153, 14.25.160(h),  
16 14.25.165(f), 14.25.166, 14.25.177, 14.25.195, 14.25.200(b), 14.25.205, and 14.25.210, and  
17 in 14.25.220 in each place that the phrase appears.

18 (b) The revisor of statutes shall change the reference to "board" to "administrator" in  
19 the following statutes: AS 14.25.075 and 14.25.130(f).

20 (c) The revisor of statutes shall change the reference to "system" to "plan" in the  
21 following statutes: AS 14.25.040(b), 14.25.040(c), 14.25.045, 14.25.047, 14.25.055,  
22 14.25.060, 14.25.061(a), 14.25.062, 14.25.063(a), 14.25.065, 14.25.070, 14.25.075(c),  
23 14.25.075(d), 14.25.075(g), 14.25.075(h), 14.25.075(i), 14.25.100(a), 14.25.105(c),  
24 14.25.107, 14.25.110, 14.25.125(c), 14.25.143, 14.25.163, 14.25.165(i), 14.25.167(g),  
25 14.25.168, 14.25.169, 14.25.173(a), 14.25.173(d), 14.25.181, 14.25.200, 14.25.210,  
26 14.25.220(1), 14.25.220(4), 14.25.220(7), 14.25.220(14), 14.25.220(20), 14.25.220(22),  
27 14.25.220(23), 14.25.220(31), 14.25.220(34), 14.25.220(36), 14.25.220(37), 14.25.220(42);  
28 AS 39.35.120, 39.35.125, 39.35.160, 39.35.165(a), 39.35.165(c), 39.35.165(d), 39.35.165(e),  
29 39.35.165(g), 39.35.165(h), 39.35.165(i), 39.35.170, 39.35.180, 39.35.195(b), 39.35.195(c),  
30 39.35.250, 39.35.280, 39.35.300(c), 39.35.310(a), 39.35.310(c), 39.35.340(a), 39.35.342(a),  
31 39.35.342(d), 39.35.345(a), 39.35.345(d), 39.35.360(a), 39.35.360(g), 39.35.360(h),

1 39.35.360(k), 39.35.370(f), 39.35.370(h), 39.35.370(i), 39.35.370(j), 39.35.370(k),  
 2 39.35.371(i), 39.35.381(b), 39.35.381(g), 39.35.385(c), 39.35.400(e), 39.35.450(g),  
 3 39.35.475(a), 39.35.475(b), 39.35.475(d), 39.35.500(a), 39.35.505, 39.35.520(a),  
 4 39.35.520(d), 39.35.522(d), 39.35.527(a), 39.35.527(b), 39.35.530, 39.35.535(a),  
 5 39.35.535(d), 39.35.550, 39.35.560, 39.35.570, 39.35.580, 39.35.590, 39.35.600, 39.35.610,  
 6 39.35.620(a), 39.35.620(h), 39.35.650, 39.35.670, 39.35.675(a), 39.35.680(1), 39.35.680(5),  
 7 39.35.680(9), 39.35.680(12), 39.35.680(15), 39.35.680(16), 39.35.680(17), 39.35.680(20),  
 8 39.35.680(21)(A), 39.35.680(29), 39.35.680(32), 39.35.680(33), and 39.35.680(35).

9 (d) The revisor of statutes shall change the reference to "board" to "commissioner" in  
 10 the following statutes: AS 39.35.290, 39.35.522(a), 39.35.522(b), and 39.35.522(d).

11 (e) The revisor of statutes shall change references to "this chapter" to "AS 39.35.095 -  
 12 39.35.680" in the following statutes: AS 39.35.165, 39.35.200, 39.35.250, 39.35.300,  
 13 39.35.340, 39.35.350, 39.35.360, 39.35.370, 39.35.371, 39.35.375, 39.35.381, 39.35.480,  
 14 39.35.490, 39.35.495, 39.35.505, 39.35.530, 39.35.546, 39.35.547, 39.35.615(c),  
 15 39.35.620(e), 39.35.660, 39.35.675(b), 39.35.677, and 39.35.680.

16 (f) The revisor of statutes shall renumber AS 39.35.690 to follow AS 39.35.990.

17 \* **Sec. 141.** The uncodified law of the State of Alaska is amended by adding a new section  
 18 to read:

19 **IMPLEMENTATION OF SECTIONS 139 AND 140 OF THIS ACT.** Under  
 20 AS 01.05.031, the revisor of statutes shall implement secs. 139 and 140 of this Act in the  
 21 Alaska Statutes, and, under AS 44.62.125(b)(6), the regulations attorney shall implement secs.  
 22 139 and 140 of this Act in the administrative code.

23 \* **Sec. 142.** Sections 11, 12, 14, 15, 20, 89 - 94, 107, 114, and 131 of this Act take effect  
 24 June 30, 2010.

25 \* **Sec. 143.** Section 141 of this Act takes effect immediately under AS 01.10.070(c).

26 \* **Sec. 144.** Except as provided in secs. 142 and 143 of this Act, this Act takes effect July 1,  
 27 2005.



Official Business

# Alaska State Senate

## Senate Finance Committee

Mail Stop 3100  
State Capitol  
Juneau, Alaska 99801-1182

### FAX COVER SHEET

DATE: 6 April 2005 TIME: 11:10am

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FROM: MINDY ROWLAND  
SENATE FINANCE COMMITTEE SECRETARY  
PHONE: 465-4935  
FAX: 465-2187

NOTES: Final Please

CS SB 141 (FIN) 24-LS0637 \ 4 Craver 4/4/05

→ Plus 4 amendments: \ 4.1

\ 4.2

\ 4.3

Amendment #19 - attached

→ Plus 1 correction: \ 4 pg 89 line 7

delete: teachers'

insert: public employees'

call with any questions

Thanks  
Mindy

adopted 4/6/05

WORK DRAFT

WORK DRAFT

WORK DRAFT

24-LS0637Y  
Craver  
4/4/05

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

BY THE SENATE FINANCE COMMITTEE

Offered:  
Referred:

Sponsor(s): SENATE FINANCE COMMITTEE

A BILL  
FOR AN ACT ENTITLED

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

30 (8) as soon as possible after the close of each fiscal year, and not later

1 than six months after the close of each fiscal year, send to the governor and the  
2 legislature an annual statement on the operations of each of the plans in the system  
3 containing

4 (A) a balance sheet;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 commissioner shall, within 10 days after adoption of an emergency regulation, give  
2 notice of the adoption under (d) of this section.

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

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

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

11 **Sec. 14.25.008. Definitions.** In AS 14.25.001 - 14.24.008,

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

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

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

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

19 \* **Sec. 2.** AS 14.25.010 is amended to read:

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

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

30 (c) An amendment to AS 14.25.009 - 14.25.220 [THIS CHAPTER] does not  
31 provide a person with a vested right to a benefit if the Internal Revenue Service

1 determines that the amendment will result in disqualification of the plan under the  
2 Internal Revenue Code.

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

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

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

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

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

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

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

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

1 retirement plan [SYSTEM] in which the person did not participate. The amount of  
2 the indebtedness is the full actuarial cost of providing benefits for the credited service  
3 claimed. Interest as prescribed by regulation accrues on that indebtedness beginning  
4 on the later of July 1, 1989, or the date on which the member is first eligible to claim  
5 the service. Any outstanding indebtedness existing at the time the person retires will  
6 require an actuarial adjustment to the benefits payable based on that service.

7 \* Sec. 7. AS 14.25.050(a) is amended to read:

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

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

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

24 (1) 8.65 percent; or

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

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

29 \* Sec. 9. AS 14.25.070 is amended to read:

30 **Sec. 14.25.070. Contributions by employer.** An employer shall contribute to  
31 the plan [SYSTEM] an amount equal to the percentage, as certified by the board

1 [ADMINISTRATOR], of the sum total of the base salaries of all members that is  
2 required in addition to member contributions to provide the benefits of AS 14.25.009 -  
3 14.25.220 [THIS CHAPTER] times the sum total of the base salaries paid to members,  
4 including any adjustments to contributions required by AS 14.25.173(a), by the  
5 employer.

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

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

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

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

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

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

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

26 (2) the member shall make an irrevocable election under this  
27 subsection to purchase credited service as permitted in AS 14.20.345, AS 14.25.047,  
28 14.25.048, 14.25.050, 14.25.060, 14.25.061, [14.25.062,] 14.25.100, 14.25.105, or  
29 14.25.107 before the member's termination of employment; the irrevocable election  
30 must specify the number of payroll periods that deductions will be made from the  
31 member's compensation and the dollar amount of deductions for each payroll period

1 during the specified number of payroll periods; the deductions made under this  
2 paragraph cease upon the earlier of the member's termination of employment with the  
3 employer or the member's death; amounts paid by an employer under (f) of this  
4 section may not be applied toward the payment of the dollar amount of the deductions  
5 representing the portion of the credited service that is being purchased by the member  
6 through payroll deduction in accordance with the member's irrevocable election under  
7 this paragraph;

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

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

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

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

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

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

1 directly from a member;

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

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

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

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

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

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

23 \* Sec. 16. AS 14.25.143(a), as that subsection read following amendment by sec. 3, ch.  
24 146, SLA 1980, until amended by sec. 12, ch. 106, SLA 1988, is amended to read:

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

1 [SYSTEM].

2 \* Sec. 17. AS 14.25.143(a), as that subsection read following amendment by sec. 12, ch.  
3 106, SLA 1988, until amended by sec. 12, ch. 97, SLA 1990, is amended to read:

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

12 \* Sec. 18. AS 14.25.145 is amended to read:

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

16 \* Sec. 19. AS 14.25.150 is amended by adding a new subsection to read:

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

19 \* Sec. 20. AS 14.25.173(c) is amended to read:

20 (c) At least quarterly, [AT EACH REGULARLY SCHEDULED MEETING  
21 OF THE TEACHERS' RETIREMENT BOARD,] the administrator shall report to the  
22 commissioner of administration [BOARD] on all situations since the administrator's  
23 last report in which an adjustment has been prohibited under (b) of this section. If the  
24 commissioner of administration [BOARD] finds that there is reason to believe that  
25 one or more of the conditions set out in (b) of this section have not been met, the  
26 administrator shall notify the member or beneficiary that an adjustment will be made  
27 to recover the overpayment. A member or beneficiary who receives notice of  
28 adjustment under this subsection may file a request with the commissioner of  
29 administration [APPEAL TO THE BOARD] for a waiver of the adjustment under  
30 AS 14.25.175. An adjustment that requires the repayment of benefits may not be  
31 required while the waiver request [APPEAL] is pending.

1 \* Sec. 21. AS 14.25.175(a) is amended to read:

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

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

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

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

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

15 \* Sec. 22. AS 14.25.175(b) is amended to read:

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

21 \* Sec. 23. AS 14.25.175(c) is repealed and reenacted to read:

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

24 \* Sec. 24. AS 14.25.175(d) is amended to read:

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

30 \* Sec. 25. AS 14.25.220(2) is amended to read:

31 (2) "actuarial adjustment" means the adjustment necessary to obtain

1 equality in value of the aggregate expected payments under two different forms of  
2 pension payments, considering expected mortality and interest earnings on the basis of  
3 assumptions, factors, and methods specified in regulations issued under the plan  
4 [SYSTEM] that are formally adopted [UNDER AS 14.25.022] by the board and that  
5 clearly preclude employer discretion in the determination of the amount of any  
6 member's benefit;

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

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

11 \* Sec. 27. AS 14.25.220(9) is amended to read:

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

14 \* Sec. 28. AS 14.25.220(40) is amended to read:

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

19 \* Sec. 29. AS 14.25.220 is amended by adding a new paragraph to read:

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

22 \* Sec. 30. AS 14.25 is amended by adding new sections to read:

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

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

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

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

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

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

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

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

14 (b) A teacher who has elected to participate in the optional university  
15 retirement program under AS 14.40.661 - 14.40.799 may not participate as a member  
16 of the defined contribution retirement plan.

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

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

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

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

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

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

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

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

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

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

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

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

28 (d) In this section,

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

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

3 (3) "eligible retirement plan" means

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- 15 (1) 25 percent with two years of service;  
16 (2) 50 percent with three years of service; and  
17 (3) 75 percent with four years of service.

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

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

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

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

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

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

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

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

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

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

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

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

1 residence; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 distribution commencement date.

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

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

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

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

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

16 (5) notwithstanding (a) of this section, a participant whose account has  
17 a balance of \$1,000 or less meets the requirements of AS 14.25.430, at which time the  
18 participant must take payment of the participant's account.

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

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

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

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

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

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

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

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

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

3 (i) In this section,

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

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

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

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

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

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

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

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

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

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

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

13 (4) to the estate.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 full monthly premium for retiree major medical insurance coverage.

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

3 (1) be informed by the administrator in writing

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 is guilty of a class A misdemeanor.

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

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

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

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

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

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

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

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

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

5 (h) In this section,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10 (7) "compensation"

11 (A) means

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25 (A) during any school year,

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

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

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

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

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

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

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

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

3 years;

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

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

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

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

10 \* Sec. 31. AS 14.40.280(c) is amended to read:

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

18 \* Sec. 32. AS 14.40.400(b) is amended to read:

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

25 \* Sec. 33. AS 14.40.671(c) is amended to read:

26 (c) An employee whose rights to transfer assets out of a state retirement  
27 system are subject to a qualified domestic relations order is entitled to transfer assets  
28 from the state retirement system to the program only if the requirements for receiving  
29 a refund under AS 14.25.150(b), 14.25.360, [OR] AS 39.35.200(c), or 39.35.760, as  
30 appropriate, are met.

31 \* Sec. 34. AS 22.25.048(c) is amended to read:

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

5 \* Sec. 35. AS 22.25.900(1) is amended to read:

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

14 \* Sec. 36. AS 26.05.226(a) is amended to read:

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

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

22 (2) administer the system.

23 \* Sec. 37. AS 26.05.228(c) is amended to read:

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

28 \* Sec. 38. AS 36.30.015(f) is amended to read:

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

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

12 \* Sec. 39. AS 36.30.990(1) is amended to read:

13 (1) "agency"

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

18 (B) does not include

19 (i) the University of Alaska;

20 (ii) the Alaska Railroad Corporation;

21 (iii) the Alaska Housing Finance Corporation;

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

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

29 (vi) the Alaska Aerospace Development Corporation;

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

1 (viii) the Alaska Seafood Marketing Institute;

2 \* Sec. 40. AS 37.10.071(d) is amended to read:

3 (d) In exercising investment, custodial, or depository powers or duties under  
4 this section, the fiduciary or the fiduciary's designee is liable for a breach of a duty  
5 that is assigned or delegated under this section, or under [AS 14.25.180,  
6 AS 14.40.255, 14.40.280(c), 14.40.400(b), AS 37.10.070, AS 37.14.110(c), 37.14.160,  
7 or 37.14.170 [, OR AS 39.35.080]. However, the fiduciary or the designee is not  
8 liable for a breach of a duty that has been delegated to another person if the delegation  
9 is prudent under the applicable standard of prudence set out in statute or if the duty is  
10 assigned by law to another person, except to the extent that the fiduciary or designee

11 (1) knowingly participates in, or knowingly undertakes to conceal, an  
12 act or omission of another person knowing that the act or omission is a breach of that  
13 person's duties under this chapter;

14 (2) by failure to comply with this section in the administration of  
15 specific responsibilities, enables another person to commit a breach of duty; or

16 (3) has knowledge of a breach of duty by another person, unless the  
17 fiduciary or designee makes reasonable efforts under the circumstances to remedy the  
18 breach.

19 \* Sec. 41. AS 37.10.071(f) is amended to read:

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

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

22 or

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

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

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

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

1 \* **Sec. 42.** AS 37.10.210 is repealed and reenacted to read:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25 \* Sec. 43. AS 37.10 is amended by adding a new section to read:

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

28 \* Sec. 44. AS 37.10.220 is repealed and reenacted to read:

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

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

1 record of all its proceedings;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

29 (14) develop an annual operating budget.

30 (b) The board may

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

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

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

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

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

11 \* Sec. 45. AS 37.10.250 is amended to read:

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

24 \* Sec. 46. AS 37.10.270(a) is amended to read:

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

30 \* Sec. 47. AS 37.10.390 is amended to read:

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

1 otherwise requires,

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

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

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

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

16 \* Sec. 48. AS 37.14.160 is amended to read:

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

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

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

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

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

28 \* Sec. 49. AS 37.14.210(4) is amended to read:

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

1 \* Sec. 50. AS 37.14.520(4) is amended to read:

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

5 \* Sec. 51. AS 37.14.610 is amended to read:

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

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

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

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

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

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

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

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

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

26 \* Sec. 52. AS 39.30.090(a) is amended to read:

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

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

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

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

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

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

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

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

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

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

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

14 (7) A person receiving benefits under AS 14.25.110, AS 22.25,  
15 AS 39.35, or former AS 39.37 may continue the life insurance coverage that was in  
16 effect under this section at the time of termination of employment with the state or  
17 participating governmental unit.

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

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

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

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

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

9 \* Sec. 53. AS 39.30.095(d) is amended to read:

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

16 \* Sec. 54. AS 39.30.150(b) is amended to read:

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

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

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

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

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

2            \* Sec. 55. AS 39.30 is amended by adding a new section to read:

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

5            \* Sec. 56. AS 39.30 is amended by adding a new section to read:

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

9            \* Sec. 57. AS 39.30.155 is repealed and reenacted to read:

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

13            \* Sec. 58. AS 39.30.160(a) is amended to read:

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

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

23            \* Sec. 59. AS 39.30.160(e) is amended to read:

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

27            \* Sec. 60. AS 39.30.175(a) is amended to read:

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

1 provided under AS 37.10.210 [AS 14.25.180].

2 \* **Sec. 61.** AS 39.30.180 is amended by adding a new paragraph to read:

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

5 \* **Sec. 62.** AS 39.30 is amended by adding new sections to read:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13 \* **Sec. 63.** AS 39.35 is amended by adding new sections to read:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 by the commissioner.

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

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

10 **Sec. 39.35.006. Appeals.** An employer, member, annuitant, or beneficiary  
11 may appeal a decision made by the administrator to the office of administrative  
12 hearings established under AS 44.64. An aggrieved party may appeal a final decision  
13 to the superior court.

14 **Sec. 39.35.007. Investment management of retirement system funds.** The  
15 Alaska Retirement Management Board established under 37.10.210 is the fiduciary of  
16 the system funds.

17 **Sec. 39.35.008. Definitions.** In AS 39.35.001 - 39.35.008,

18 (1) "commissioner" means the commissioner of administration;

19 (2) "plan" means the retirement plan established in AS 39.35.095 -  
20 39.35.680 or the retirement plan established in AS 39.35.700 - 39.35.990;

21 (3) "system" means all retirement plans established under the public  
22 employees' retirement system.

23 \* **Sec. 64.** AS 39.35 is amended by adding a new section to read:

24 **Article 2. Public Employees First Hired before July 1, 2005.**

25 **Sec. 39.35.095. Applicability of AS 39.35.095 - 39.35.680 to employees first**  
26 **hired before July 1, 2005.** The following provisions of this chapter apply only to  
27 members first hired before July 1, 2005: AS 39.35.095 - 39.35.680.

28 \* **Sec. 65.** AS 39.35.100 is amended to read:

29 **Sec. 39.35.100. Accounting.** (a) The commissioner of administration shall  
30 establish and maintain an adequate system of accounts and records for the plan  
31 [SYSTEM]. The accounts and records shall be integrated with the accounts, records,

1 and procedures of the employers to the end that they operate most effectively and at  
2 minimum expense, and that duplication of records and accounts is avoided.

3 (b) All income of the pension fund and all disbursements made by the fund  
4 shall be credited or charged, whichever is appropriate, to the following accounts:

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

15 (2) An individual account shall be maintained for each employee to  
16 record the amount of the employee's voluntary contributions. As of the last day of  
17 each calendar year and each fiscal year beginning with June 30, 1969, this account  
18 shall be credited with interest, by applying [ONE HALF OF] the prescribed rate of  
19 interest as determined by the board to the balance in the account as of that date.  
20 Amounts that, before termination of employment, are withdrawn by an employee from  
21 the employee's savings account shall be charged to that account. Upon retirement, the  
22 amount actuarially determined as necessary to fully fund the benefits to be received  
23 shall be transferred first from the employee savings account and, after the employee  
24 savings account has been exhausted, then from the employer contribution account into  
25 the retirement reserve account.

26 (3) A separate account for each employer shall be maintained. The  
27 account shall be credited with contributions of the employer. This account shall be  
28 charged with the employer's actuarial charge for pension, death benefits, and other  
29 benefits paid under this plan [SYSTEM] to or on behalf of the employee of the  
30 employer. After an allowance for interest credited to employee contribution accounts  
31 and employee savings accounts, the investment income of the pension fund shall be

1 allocated to the retirement reserve account and to each employer asset share account  
2 according to the ratio that the average of the assets in the account as of the beginning  
3 and as of the end of the fiscal year bears to the total of the average balance of the  
4 retirement reserve account and all employer accounts.

5 (4) An expense account shall be maintained for the plan [SYSTEM].  
6 This account shall be charged with all disbursements representing administrative  
7 expenses incurred by the plan [SYSTEM]. At the end of the year the expense account  
8 shall be allocated to each employer in accordance with (3) of this subsection.  
9 Expenditures from this account shall be included in the governor's budget for each  
10 fiscal year and are subject to approval by the legislature.

11 \* Sec. 66. AS 39.35 is amended by adding a new section to article 1 to read:

12 **Sec. 39.35.115. Defined benefit retirement plan.** (a) A defined benefit  
13 retirement plan for employees of the state, political subdivisions, and public  
14 organizations is created. The plan becomes effective January 1, 1961, at which time  
15 contributions by the employers and members begin.

16 (b) The retirement plan established by AS 39.35.095 - 39.35.680 is intended to  
17 qualify under 26 U.S.C. 401(a) and 414(d) (Internal Revenue Code) as a qualified  
18 retirement plan established and maintained by the state for its employees and for the  
19 employees of political subdivisions, public corporations, and public organizations of  
20 the state, and for the employees of other employers whose participation is authorized  
21 by AS 39.35.095 - 39.35.680 and who participate in this plan.

22 (c) An amendment to AS 39.35.095 - 39.35.680 does not provide a person  
23 with a vested right to a benefit if the Internal Revenue Service determines that the  
24 amendment will result in disqualification of the plan under the Internal Revenue Code.

25 \* Sec. 67. AS 39.35.131 is amended to read:

26 **Sec. 39.35.131. Membership in teachers' and public employees'**  
27 **retirement systems.** (a) A person who is employed at least half-time in the plan  
28 [SYSTEM] during the same period that the person is employed at least half-time in a  
29 position in the teachers' retirement plan [SYSTEM] under AS 14.25.009 - 14.25.220  
30 [AS 14.25] shall receive credited service under each plan [SYSTEM] for half-time  
31 employment. However, the amount of credited service a person receives under the

1        plan [SYSTEM] during a school year may not exceed the amount necessary, when  
2        added to the amount of credited service earned during the school year under the  
3        teachers' retirement system, to equal one year of credited service.

4                (b) A person who was employed at least half-time in a position in the teachers'  
5        retirement plan [SYSTEM] under AS 14.25.609 - 14.25.220 [AS 14.25] in the same  
6        period that the person was employed at least half-time in a position in this plan  
7        [SYSTEM] may claim credited service in both plan [SYSTEMS] for employment  
8        before May 31, 1989. To obtain this credited service, the person shall claim the  
9        service and verify the period of half-time employment. When eligibility for half-time  
10       service credit has been established, an indebtedness shall be determined to the  
11       retirement plan [SYSTEM] in which the person did not participate. The amount of  
12       the indebtedness is the full actuarial cost of providing benefits for the credited service  
13       claimed. Interest as prescribed by regulation accrues on that indebtedness beginning  
14       on the later of July 1, 1989, or the date on which the member is first eligible to claim  
15       the service. Any outstanding indebtedness existing at the time the person retires will  
16       require an actuarial adjustment to the benefits payable based on that service.

17       \* Sec. 68. AS 39.35.158 is amended to read:

18                **Sec. 39.35.158. Administrative director of courts.** An administrative  
19       director of the Alaska court system who withdraws from the judicial retirement system  
20       under AS 22.25.012 is eligible for membership in the plan [SYSTEM] and shall  
21       receive credited service in the plan [SYSTEM] for service rendered as administrative  
22       director. To be eligible for membership in the plan [SYSTEM] under this subsection,  
23       the administrative director must contribute to the plan [SYSTEM]

24                (1) the amount the director would have contributed if the director had  
25       been a member during the director's period of membership in the judicial retirement  
26       system; and

27                (2) any contributions for services as administrative director refunded  
28       by the plan [SYSTEM] at the time the director became a member of the judicial  
29       retirement system.

30       \* Sec. 69. AS 39.35.160(a) is amended to read:

31                (a) Beginning July 1, 2005 [JANUARY 1, 1987], each peace officer or fire

1 fighter shall contribute to the plan a percentage [SYSTEM AN AMOUNT EQUAL  
2 TO SEVEN AND ONE-HALF PERCENT] of the peace officer's or fire fighter's  
3 compensation as determined under AS 39.35.162. Except as provided in (d) of this  
4 section, beginning July 1, 2005 [JANUARY 1, 1987], each other employee shall  
5 contribute to the system a percentage [AN AMOUNT EQUAL TO SIX AND  
6 THREE-QUARTERS PERCENT] of the employee's compensation as determined  
7 under AS 39.35.162. The contributions shall be deducted by the employer at the end  
8 of each payroll period. The contributions shall be deducted from employee  
9 compensation before computation of applicable federal taxes, and the contributions  
10 shall be treated as employer contributions under 26 U.S.C. 414(h)(2). A member may  
11 not have the option of making the payroll deduction directly instead of having the  
12 contribution picked up by the employer.

13 \* Sec. 70. AS 39.35 is amended by adding a new section to read:

14 Sec. 39.35.162. Calculation of employee contribution rate. (a) Each peace  
15 officer or fire fighter shall contribute a percentage of the peace officer's or fire fighter's  
16 compensation to be determined annually in advance by the administrator. Each other  
17 employee shall contribute a percentage of the employee's compensation to be  
18 determined annually in advance by the administrator. The employee contribution rate  
19 is the greater of

20 (1) 7.5 percent for a peace officer or fire fighter;

21 (2) 6.75 percent for each other employee; or

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

24 (b) The normal cost rate for peace officers or fire fighters and the employee  
25 contribution rate for other employees shall be separately calculated based on the  
26 actuarially calculated costs for each group of employees.

27 (c) Notwithstanding (a) of this section, the employee contribution rate may not  
28 increase more than one-half of a percentage point annually.

29 \* Sec. 71. AS 39.35.165(a) is amended to read:

30 (a) An employee who is eligible to purchase credited service under  
31 AS 39.35.310, 39.35.330, 39.35.340, 39.35.342, 39.35.345, [39.35.350,] 39.35.360, or

1 39.35.370, a member who is eligible to purchase credited service under AS 39.35.375,  
2 or an elected public official who is eligible to purchase credited service under  
3 AS 39.35.381 is an employee for purposes of this section. An employee may, in lieu  
4 of making payments directly to the plan, elect to have the employee's employer make  
5 payments as provided in this section.

6 \* Sec. 72. AS 39.35.165(b) is amended to read:

7 (b) An employee may elect to have the employer make payments for all or any  
8 portion of the amounts payable for the employee's purchase of credited service  
9 through a salary reduction program as follows:

10 (1) the amounts paid under a salary reduction program are in lieu of  
11 contributions by the employee making the election; the electing employee's salary or  
12 other compensation shall be reduced by the amount paid by the employer under this  
13 subsection;

14 (2) the employee shall make an irrevocable election under this section  
15 to purchase credited service as permitted in AS 39.35.310, 39.35.330, 39.35.340,  
16 39.35.342, 39.35.345, [39.35.350,] 39.35.360, 39.35.370, 39.35.375, or 39.35.381 and  
17 before the employee's termination of employment; the irrevocable election must  
18 specify the number of payroll periods that deductions will be made from the  
19 employee's compensation and the dollar amount of deductions for each payroll period  
20 during the specified number of payroll periods; the deductions made under this  
21 paragraph cease upon the earlier of the member's termination of employment with the  
22 employer or the member's death; amounts paid by an employer under (f) of this  
23 section may not be applied toward the payment of the dollar amount of the deductions  
24 representing the portion of the credited service that is being purchased by the member  
25 through payroll deduction in accordance with the member's irrevocable election under  
26 this subsection;

27 (3) amounts paid by an employer under this subsection shall be treated  
28 as employer contributions for the purpose of determining tax treatment under the  
29 Internal Revenue Code; the amounts paid by the employer under this section may not  
30 be included in the member's gross income for income tax purposes until those amounts  
31 are distributed by refund or retirement benefit payments.

1 \* Sec. 73. AS 39.35.165(f) is amended to read:

2 (f) The commissioner may accept rollover contributions from a member [AND  
3 DIRECT TRANSFERS, AS DESCRIBED IN THIS SUBSECTION, FOR THE  
4 PURCHASE, IN WHOLE OR IN PART, OF CREDITED SERVICE FOR THE  
5 REINSTATEMENT, IN WHOLE OR IN PART, OF FORFEITED CREDITED  
6 SERVICE UNDER AS 39.35.350]. A rollover contribution [OR TRANSFER] as  
7 described in this subsection shall also be treated as employer contributions for the  
8 purpose of determining tax treatment under the Internal Revenue Code and may be  
9 made by any one or a combination of the following methods:

10 (1) subject to the limitations prescribed in 26 U.S.C. 401(a)(3) and 26  
11 U.S.C. 402(c), accepting eligible rollover distributions directly from one or more  
12 retirement programs of another employer that are qualified under 26 U.S.C. 401(a) or  
13 accepting rollovers directly from a member;

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

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

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

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

29 \* Sec. 74. AS 39.35.165(g) is amended to read:

30 (g) Payments made under this section shall be applied to reduce the  
31 employee's outstanding indebtedness described in AS 39.35.310, 39.35.330,

1 39.35.340, 39.35.342, 39.35.345, [39.35.350,] 39.35.360, 39.35.370, 39.35.375, or  
2 39.35.381 at the time that the contributions are received by the plan.

3 \* Sec. 75. AS 39.35.165(i) is amended to read:

4 (i) On satisfaction of the eligibility requirements of AS 39.35.310, 39.35.330,  
5 39.35.340, 39.35.341, 39.35.345, [39.35.350,] 39.35.360, 39.35.370, 39.35.375, or  
6 39.35.381, the requirements of this section, and the administrative filing requirements  
7 specified by the commissioner, the plan shall adjust the employee's credited service  
8 history and add any additional service credits acquired.

9 \* Sec. 76. AS 39.35.200 is amended by adding a new subsection to read:

10 (d) An employee who receives a refund of contributions in accordance with  
11 this section forfeits corresponding credited service under AS 39.35.095 - 39.35.680.

12 \* Sec. 77. AS 39.35.270 is amended to read:

13 **Sec. 39.35.270. Amount of employer's contributions.** The amount of each  
14 employer's contributions shall be determined by applying the employer's contribution  
15 rate, as certified by the board, to the total compensation paid to the active employees  
16 of the employer for each payroll period and by including any adjustments to  
17 contributions required by AS 39.35.520(a). This amount shall be remitted by the  
18 employer to the administrator in accordance with AS 39.35.610.

19 \* Sec. 78. AS 39.35.270 is amended by adding a new subsection to read:

20 (b) When added to the member contribution rate calculated under  
21 AS 39.35.162, the employer contribution may not be less than the rate required, as  
22 actuarially calculated, to fully fund the future liabilities of active members.

23 \* Sec. 79. AS 39.35.340(f) is amended to read:

24 (f) An employee may not [CANNOT] be credited with a period of active  
25 military service in the armed forces of the United States under this section if credit for  
26 that military service was granted under AS 14.25.009 - 14.25.220 [AS 14.25].

27 \* Sec. 80. AS 39.35.340(h) is amended to read:

28 (h) The combined period of military service claimed under this section and  
29 under AS 14.25.009 - 14.25.220 [AS 14.25] may not exceed five years.

30 \* Sec. 81. AS 39.35.360(i) is amended to read:

31 (i) An employee who completes three years of credited service with an

1 employer, for which the employee makes contributions required by AS 39.35.095 -  
2 39.35.680 [THIS CHAPTER], is entitled to credited service on a year-for-year basis  
3 for service credited in the Civil Service Retirement System, rendered as an employee  
4 of an Alaska Bureau of Indian Affairs (BIA) school, other than service as a teacher.  
5 When eligibility for retroactive credited service under this subsection has been  
6 established, an indebtedness of the employee to the plan [SYSTEM] shall be  
7 determined as follows: (1) the employee's actual annual compensation, or the  
8 calculated annual compensation for an employee who works fewer than 12 months, for  
9 the most recent calendar year in which service is rendered to an employer before the  
10 calendar year in which the employee first becomes eligible to claim service under this  
11 subsection, multiplied by (2) the number of years of service in Alaska BIA schools  
12 that is credited under this subsection, and this product multiplied by (3) six percent for  
13 employees first eligible to claim this service before January 1, 1987, or eight and one-  
14 half percent for employees first eligible to claim this service on or after January 1,  
15 1987. Interest as prescribed by regulation accrues on the indebtedness beginning on  
16 the date the employee may first claim the retroactive credited service. Any  
17 outstanding indebtedness that exists at the time the employee retires requires an  
18 actuarial adjustment to the benefits that are based on retroactive credited service under  
19 this subsection. A retirement benefit payable under this subsection for Alaska BIA  
20 service shall be reduced by an amount equal to the retirement benefits paid to the  
21 member by the United States government for the same service.

22 \* Sec. 82. AS 39.35.360(l) is amended to read:

23 (l) An administrative director of the Alaska Court System who withdraws  
24 from the judicial retirement system under AS 22.25.012(b) is eligible for membership  
25 in the plan [PUBLIC EMPLOYEES' RETIREMENT SYSTEM] and shall receive  
26 credited service in this plan [SYSTEM] for service rendered as administrative  
27 director. To be eligible for membership in this plan [SYSTEM] under this subsection,  
28 the administrative director must contribute to the plan [SYSTEM]

29 (1) the amount that would have been contributed if the administrative  
30 director had been a member during the period of the membership in the judicial  
31 retirement system; and

1 (2) any contributions for service as administrative director refunded  
2 from the plan [PUBLIC EMPLOYEES' RETIREMENT SYSTEM] at the time the  
3 administrative director became a member of the judicial retirement system.

4 \* Sec. 83. AS 39.35.370(g) is amended to read:

5 (g) When an employee who was employed as a dispatcher in a state trooper  
6 office or in a police or fire department in the plan [PUBLIC EMPLOYEES'  
7 RETIREMENT SYSTEM] applies for appointment to retirement, the employee may  
8 convert the credited service for that position to credited service as a peace officer by  
9 claiming the service as peace officer service. An employee who has converted  
10 credited service to peace officer service under this subsection shall be treated as a  
11 peace officer for purposes of AS 39.35.095 - 39.35.680 [THIS CHAPTER]. When the  
12 member claims this credited service as peace officer service, an indebtedness of the  
13 member to the plan [SYSTEM] shall be established. The indebtedness is equal to the  
14 full actuarial cost of the conversion of the credited service to treatment as peace  
15 officer service. Any outstanding indebtedness that exists at the time the member is  
16 appointed to retirement shall [WILL] require an actuarial adjustment to the benefits  
17 payable based upon the conversion of the credited service.

18 \* Sec. 84. AS 39.35.375(a) is amended to read:

19 (a) An active or inactive member who has never been vested in this plan  
20 [SYSTEM] or in the teachers' retirement plan [SYSTEM] under AS 14.25.009 -  
21 14.25.220 [AS 14.25], who has at least two years of credited service in this plan  
22 [SYSTEM], and who has membership service in the teachers' retirement system may  
23 claim credited service in this plan [SYSTEM] in an amount equal to the membership  
24 service the member has in the teachers' retirement system. The claimed credited  
25 service may be added to service earned under AS 39.35.095 - 39.35.680 [THIS  
26 CHAPTER] to enable the member to qualify for a public service benefit under this  
27 section. The member may not claim credited service for membership service for  
28 which the member has received a refund under AS 14.25.150 unless the member fully  
29 pays the indebtedness as established under AS 14.25.063. The member may not claim  
30 credited service in this plan [SYSTEM] based on unused sick leave under  
31 AS 14.25.115.

1 \* Sec. 85. AS 39.35.375(b) is amended to read:

2 (b) To claim credited service under this section, the member shall file a  
3 written request with the administrator when the member applies to retire. The  
4 administrator shall determine the full actuarial cost of benefits based on the member's  
5 total credited service and shall transfer from the teachers' retirement system to this  
6 plan [SYSTEM] an amount equal to the sum of the member contributions and any  
7 indebtedness payments to the teachers' retirement system and the employer  
8 contributions to the teachers' retirement system made on behalf of the employee  
9 together with interest earned on those contributions and indebtedness payments. If the  
10 amount to be transferred, when combined with the amount of employee contributions  
11 and indebtedness payments to this plan [SYSTEM] and the amount of employer  
12 contributions on behalf of the employee in this plan [SYSTEM], and interest earned  
13 on contributions and indebtedness payments for the employee, is less than the full  
14 actuarial cost computed under this subsection, an indebtedness to the plan [SYSTEM]  
15 equal to the amount of the difference is established. Interest as prescribed by  
16 regulation accrues on the indebtedness. The member must pay any outstanding  
17 indebtedness existing at the time the member applies for retirement in full before the  
18 member is appointed to retirement under this section.

19 \* Sec. 86. AS 39.35.375(c) is amended to read:

20 (c) A member is entitled to receive a public service benefit under this section  
21 if the member has at least a total of five years credited service under AS 39.35.095 -  
22 39.35.680 [THIS CHAPTER] and credited service from the teachers' retirement plan  
23 under AS 14.25.009 - 14.25.220 [SYSTEM], claimed under this section. A public  
24 service benefit shall be calculated using the higher of the average monthly  
25 compensation for service in this plan [SYSTEM] or the average base salary for  
26 service in the teachers' retirement plan under AS 14.25.009 - 14.25.220 [SYSTEM].  
27 The amount of the benefit shall be calculated in accordance with AS 39.35.370(c).

28 \* Sec. 87. AS 39.35.375(d) is amended to read:

29 (d) Credited service earned under either this plan [SYSTEM] or the teachers'  
30 retirement system that has been claimed for a public service benefit under this section  
31 may not be used for any other purpose. A member who claims credited service under

1 this section loses all rights to benefits under AS 14.25 based on the claimed credited  
2 service. A member may not claim credited service under this section unless the  
3 member claims all of the membership service the member has in the teachers'  
4 retirement system. A public service benefit does not constitute a normal or early  
5 retirement benefit for purposes of qualifying for a conditional service retirement  
6 benefit under AS 14.25.125 or AS 39.35.385.

7 \* Sec. 88. AS 39.35.375(f) is amended to read:

8 (f) Notwithstanding AS 14.25.063 and AS 39.35.350, a former member of the  
9 teachers' retirement system who is an active member or inactive member of this plan  
10 [SYSTEM] may reinstate, under this section, membership service earned under  
11 AS 14.25 for which the member received a refund of contributions.

12 \* Sec. 89. AS 39.35.375(f) is amended to read:

13 (f) Notwithstanding AS 14.25.063 [AND AS 39.35.350], a former member of  
14 the teachers' retirement system who is an active member or inactive member of this  
15 plan may reinstate, under this section, membership service earned under AS 14.25 for  
16 which the member received a refund of contributions.

17 \* Sec. 90. AS 39.35.375(g) is amended to read:

18 (g) If a member retires under this section and subsequently returns to work for  
19 an employer under this plan [SYSTEM] or the teachers' retirement system, benefits  
20 under this section shall cease during the period of reemployment and shall  
21 recommence when the reemployment is ended. The credited service earned during the  
22 period of reemployment may not be added to the credited service claimed for a public  
23 service benefit under this section. If a member vests and meets the other eligibility  
24 requirements under this system or the teachers' retirement system during the  
25 reemployment, the member is entitled to a benefit under AS 14.25.009 - 14.25.220  
26 [AS 14.25] or 39.35.095 - 39.35.680 [AS 39.35], as appropriate.

27 \* Sec. 91. AS 39.35.375 is amended by adding a new subsection to read:

28 (h) In this section,

29 (1) "teachers' retirement system" and "teachers' retirement system  
30 under AS 14.25" means the teachers' retirement plan established in AS 14.25.009 -  
31 14.25.220;

1 (2) "membership service earned under AS 14.25" means membership  
2 service earned under AS 14.25.009 - 14.25.220.

3 \* Sec. 92. AS 39.35.381(a) is amended to read:

4 (a) An elected public officer is eligible for a public officer benefit if the officer  
5 is retired under AS 14.25.009 - 14.25.220 [AS 14.25 (TEACHERS' RETIREMENT  
6 SYSTEM)]. Only fully paid credited service as an elected public officer of a  
7 municipality or other political subdivision, earned while the municipality or political  
8 subdivision was an employer under this plan [SYSTEM] and while the person was  
9 employed full-time under AS 14.25.009 - 14.25.220 [AS 14.25], may be counted  
10 under this section.

11 \* Sec. 93. AS 39.35.385(f) is amended to read:

12 (f) Subject to AS 39.35.450, an employee is eligible for a normal retirement  
13 benefit at age 60 or an early retirement benefit at age 55 if the employee was first  
14 hired as a legislative employee before May 30, 1987, and has at least 120 [60] days of  
15 credited service as an employee of the legislature, other than as an employee of the  
16 Office of the Ombudsman or the office of victims' rights, during each of five  
17 legislative sessions. An employee who was first hired as a legislative employee on or  
18 after May 30, 1987, and is otherwise eligible under this subsection must have at least  
19 120 [80] days of credited service during each of five legislative sessions to receive  
20 benefits under this subsection.

21 \* Sec. 94. AS 39.35.410(f) is amended to read:

22 (f) An employee is not entitled to an occupational disability benefit unless the  
23 employee files an application for it with the administrator within 90 days of the date of  
24 terminating employment. If the employee is unable to meet a filing requirement of  
25 this subsection, it may be waived by the commissioner [PUBLIC EMPLOYEES'  
26 RETIREMENT BOARD] if there are extraordinary circumstances that resulted in the  
27 employee's inability to meet the filing requirement. [THE BOARD MAY  
28 DELEGATE THE AUTHORITY TO WAIVE A FILING DEADLINE UNDER THIS  
29 SUBSECTION TO THE ADMINISTRATOR.]

30 \* Sec. 95. AS 39.35.475(a), as that subsection read following amendment by sec. 34, ch.  
31 146, SLA 1980, until amended by sec. 41, ch. 82, SLA 1986, is amended to read:

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

9 \* Sec. 96. AS 39.35.485(a) is amended to read:

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

18 \* Sec. 97. AS 39.35.680(2) is amended to read:

19 ( ) "actuarial adjustment" means the adjustment necessary to obtain  
20 equality in value of the aggregate expected payments under two different forms of  
21 pension payments, considering expected mortality and interest earnings on the basis of  
22 assumptions, factors, and methods specified in regulations issued under this plan  
23 [SYSTEM] that are formally adopted [UNDER AS 39.35.042] by the board that  
24 clearly preclude employer discretion in the determination of the amount of any  
25 member's benefit;

26 \* Sec. 98. AS 39.35.680(6) is amended to read:

27 (6) "board" means the Alaska Retirement Management [PUBLIC  
28 EMPLOYEES RETIREMENT] Board;

29 \* Sec. 99. AS 39.35.680(34) is amended to read:

30 (34) "qualified domestic relations order" means a divorce or  
31 dissolution judgment under AS 25.24, including an order approving a property