



LAWS OF ALASKA

1974

Source

HB 266 am

Chapter No.

1

AN ACT

Relating to the public employees' retirement system.

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

* Section 1. AS 39.35.040(2) is amended to read:

(2) to adopt, with modifications it considers proper, rules and regulations recommended by the administrator for carrying out this chapter;

* Sec. 2. AS 39.35.040(3) is amended to read:

(3) to consider and adopt resolutions on matters referred to it by the administrator in connection with changes in policy and revisions of this chapter;

* Sec. 3. AS 39.35.040(4) is repealed and re-enacted to read:

(4) to act as an appeals board, hold hearings at the request of an employer, employee, widow or a beneficiary on decisions made by the administrator, and submit its findings to the administrator;

* Sec. 4. AS 39.35.040(5) is amended to read:

(5) to have prepared, at least biennially, an actuarial valuation of the total obligations under the system of the state and each participating political subdivision and public organization and, on the basis of the valuation and in time for incorporation of the results in the state budget, to certify to the appropriate budgetary authorities of the state and each participating political subdivision and public organization:

(A) an appropriate contribution rate for

all participating employers, in addition to which the state shall pay the appropriate social security contribution; and

(B) an amount appropriate for each participating employer to liquidate his past service liability; the board shall have an actuarial and financial experience analysis of the system conducted at appropriate intervals, but no less frequently than once every six years; the biennial valuations and the actuarial and financial experience analyses shall be prepared and certified by a member of the American Academy of Actuaries;

* Sec. 5. AS 39.35.050 is amended to read:

Sec. 39.35.050. ADMINISTRATOR. (a) The commissioner shall appoint an administrator in charge of the detailed affairs of the system. The commissioner may appoint the personnel director of the personnel division of the Department of Administration as the administrator.

(b) The administrator shall serve as secretary of the board. He shall administer the business of the system and is responsible for its proper operation.

* Sec. 6. AS 39.35.060 is amended to read:

Sec. 39.35.060. POWERS AND DUTIES OF THE ADMINISTRATOR. The administrator has the following powers and duties:

(1) with the assistance of a technical actuarial advisor, the administrator shall submit to the board the required actuarial tables and the statistical data necessary for periodic actuarial surveys of the operating experience of the system;

(2) maintain records of the employees included in the system which are necessary for the proper administration of the system and furnish information requested by the actuary for preparing valuations and periodic experience analyses;

(3) attend meetings of the board;

(4) certify to the appropriate division of the Department of Administration the payments made according to this chapter;

(5) remit to the appropriate division of the Department of Revenue for deposit in the name of the system, money received for the account of the system;

(6) formulate and recommend to the board rules and regulations to govern the operation of the system.

* Sec. 7. AS 39.35.070 is amended to read:

Sec. 39.35.070. DUTY OF EMPLOYERS TO FURNISH RECORDS. Each employer shall furnish the administrator with records concerning the periods of service, dates of birth, compensation, new entrants into service, death, withdrawals and

other employee data necessary for the proper and effective operation of the system.

- * Sec. 8. AS 39.35.100(b)(1) is amended to read:

(1) An individual account shall be maintained for each employee to which the amount of his mandatory contributions collected under sec. 160(a) of this chapter shall be credited as of the date of deduction or payment, as the case may be. As of the last day of each calendar year and each fiscal year beginning with June 30, 1969, this account shall be credited with interest, by applying one-half of the prescribed rate of interest to the balance in the account as of that date. Upon granting a pension, the amount actuarially determined as necessary to fully fund the benefits to be received shall be transferred first from the employee contribution account and, after the employee contribution account has been exhausted, then from the employer contribution account into the retirement reserve account.

- * Sec. 9. AS 39.35.100(b)(2) is amended to read:

(2) An individual account shall be maintained for each employee to which the amount of his voluntary contributions shall be credited as of the date of deduction or payment, as the case may be. As of the last day of each calendar year and each fiscal year beginning with June 30, 1969, this account shall be credited with interest, by applying one-half of the prescribed rate of interest to the balance in the account as of that date. Amounts which, before termination of employment, are withdrawn by an employee from his savings account shall be charged to that account. Upon an employee's retirement, the amount actuarially determined as necessary to fully fund the benefits to be received shall be transferred first from the employee contribution account and, after the employee contribution account has been exhausted, then from the employer contribution account into the retirement reserve account.

- * Sec. 10. AS 39.35.100(b)(3) is amended to read:

(3) A separate account for each employer shall be maintained. The account shall be credited with contributions of the employer except that contributions made by an employer for the purpose of providing the employer's portion of the total administrative expense of the system may not be credited to this account. This account shall be charged with the employer's actuarial charge for pension, death benefits, and other benefits paid under this system to or on behalf of the employee of the employer. After an allowance for interest credited to employee contribution accounts and employee savings accounts, the investment income of the pension fund shall be allocated to each employer asset share account according to the ratio that the average of the assets in an employer's account as of the beginning and as of the end of the fiscal year bears to the total of the average balance of all employers.

- * Sec. 11. AS 39.35.150 is amended to read:

Sec. 39.35.150. RE-EMPLOYMENT OF RETIRED EMPLOYEES.

(a) If a retired employee is re-employed on a regular full-time basis by an employer, no pension payments may be made during the period of re-employment. During the period of re-employment, deductions from salary may be made at the option of the retired employee for contributions to the retirement fund as provided in sec. 160 of this chapter. Upon the subsequent retirement of the retired employee, he is entitled to receive a pension based on his credited service and compensation before the date of his previous retirement. If a previously retired employee makes contributions to the fund during his re-employment, his additional credited service and compensation during the period of re-employment shall be included to determine his final retirement benefit.

(b) In the case of re-employment of an employee who retires under sec. 370(c) or 380 of this chapter, the pension payable upon the employee's subsequent retirement shall be reduced by the actuarial equivalent of early retirement benefits previously received by the employee.

* Sec. 12. AS 39.35.200 is amended to read:

Sec. 39.35.200. REFUND UPON TERMINATION OF EMPLOYMENT FOR REASON OTHER THAN DEATH. Upon termination of employment for a reason other than death, an employee is entitled to receive refund of the balance, determined as of the date of termination of employment, of (1) his employee contribution account and (2) his employee savings account. If, upon termination of employment, the employee has credited service of less than five years and has less than \$1,000 in his employee contribution account, refund of the employee contribution account and the employee savings account must be made.

* Sec. 13. AS 39.35.250 is amended to read:

Sec. 39.35.250. CALCULATION OF EMPLOYER'S CONTRIBUTION RATE. An employer shall make contributions to the system in amounts determined in accordance with this section. A single contribution rate shall be determined for all employers in the system sufficient to support liabilities for benefits earned after December 31, 1972, or entry date of the employer, whichever is later. The contribution rate shall be the sum of the following percentages:

(1) the percentage of compensation of all participating employees of all employers in the system which, if paid over the entire period of their credited service, and when combined with employee contributions available for the payment of benefits under the system, is sufficient to provide the benefits payable to the employees; this percentage is known as the normal cost rate applicable to the employer;

(2) the percentage of compensation of all participating employees of each employer in the system necessary to provide the uniform annual amount required, at the prescribed rate of interest, to amortize the amount of the unfunded obligation of the employer over the balance of a period of 40 years; this period begins the effective date of the employer's participation in the system; and the unfunded obligation shall, on the beginning of each fiscal year, be determined as the present value of all benefits to

be provided for the participating employees of the employer less the sum of: (A) the balance of all employee contribution accounts of the employees of the employer, (B) the present value of expected future contributions from employees of the employer which are available for the payment of benefits under the system, (C) the balance of the asset share account of the employer, and (D) the present value of expected future normal cost contributions of the employer; this percentage is known as the prior service rate;

(3) the percentage of compensation of all participating employees of all employers in the system necessary to provide the employer's pro rata share of the administrative expenses of the system for the current fiscal year; an appropriate adjustment shall be made for any surplus or deficiency existing in the employer's expense account at the end of the previous fiscal year; administrative expenses shall be shared by the employers in the ratio that the number of participating employees of an employer bears to the total number of employees participating in the system.

* Sec. 14. AS 39.35.270 is amended to read:

Sec. 39.35.270. AMOUNT OF EMPLOYER'S CONTRIBUTIONS. The amount of each employer's contributions shall be determined by applying the employer's contribution rate to the total of all compensation paid to participating employees of the employer for each payroll period, and this amount, plus a percentage of the annual payment for past service liability, shall be remitted by the employer to the commissioner of administration. The percentage of the annual payment for past service liability payable shall be determined by a fraction, the numerator of which is one and the denominator of which is the number of payroll periods of the employer in one year.

* Sec. 15. AS 39.35.400(a) is amended to read:

(a) An employee is eligible for a nonoccupational disability pension if his employment is terminated because of a total and apparently permanent nonoccupational disability, as defined in sec. 680 of this chapter, before his normal retirement date and after five or more years of credited service.

* Sec. 16. AS 39.35.400(b) is amended to read:

(b) Payment of the nonoccupational disability pension shall begin upon the first day of the month after the expiration of a period of three full months from the last day of employment. However, the administrator may, in his discretion, authorize the pension to begin upon the first day of an earlier month after termination of his employment. If the payment does not begin upon the first day of the month coincidental with or after retirement, a retroactive payment shall be made to cover the period of deferment. The last payment shall be made as of the first day of the month in which the death of the retired employee occurs or in which he recovers from disability.

* Sec. 17. AS 39.35.400(e) is amended to read:

(e) A retired employee receiving a nonoccupational disability pension shall be required, as often as the administrator considers advisable, but not more frequently than once a year, to undergo a medical examination by a physician engaged by the administrator. If, in the judgment of the administrator, the examination indicates that the employee is no longer incapacitated for service in the position held at the time his disability pension began, or in another comparable position, payments of his disability pension shall cease. The name of the employee shall then be placed on the appropriate list of candidates maintained for appointment to a position for which he is found to be qualified unless he elects to receive a normal or early retirement pension in accordance with (c) of this section.

* Sec. 18. AS 39.35.410(a) is amended to read:

(a) An employee is eligible for an occupational disability pension if his employment is terminated because of a total and apparently permanent occupational disability, as defined in sec. 680 of this chapter, before his normal retirement date.

* Sec. 19. AS 39.35.410(b) is amended to read:

(b) Payment of the occupational disability pension shall begin on the first day of the month next following a period of three full months after the last day of employment, except that the administrator may, in his discretion, authorize the pension to begin upon the first day of an earlier month following termination of his employment. If payment does not begin upon the first day of the month coincidental with or after retirement, a retroactive payment shall be made to cover the period of deferment. The last payment shall be made as of the first day of the month in which the death of the retired employee occurs or in which he recovers from occupational disability before his normal retirement date.

* Sec. 20. AS 39.35.410(f) is amended to read:

(f) An employee is not entitled to an occupational disability pension unless he files an application for it with the administrator within six months after the date of the accident, if disability is attributable to an accident, or within six months after the date his disability begins if the disability is caused by an occupational disease. If the disability is attributable to an accident, the employee shall file a notice of the accident with the administrator within 30 days following the date it occurred. This 30-day filing period is suspended for the time the employee's condition prevents him from filing.

* Sec. 21. AS 39.35.410(g) is amended to read:

(g) A retired employee receiving an occupational disability pension shall be required, as often as the administrator considers advisable, but not more frequently than once a year, to undergo a medical examination at a place determined by the administrator and by a physician or physicians engaged by the administrator. If, in the judgment of the administrator, the examination indicates that the

retired employee is no longer incapacitated for service in the position held at the time his disability pension began, payments of his disability pension shall cease. The employee shall then be reappointed to a position of the same classification in which he was employed at the time of his disability if he still meets all other necessary requirements for that position, unless he elects to receive an early retirement pension in accordance with (c) of this section. In any event, the disability pension shall not cease until the employee is either reappointed, retired or otherwise disqualified from receiving a benefit by being disqualified for reappointment.

- * Sec. 22. AS 39.35.420 is amended to read:

Sec. 39.35.420. NONOCCUPATIONAL DEATH BENEFITS. (a) If the death of an employee occurs before his retirement, but after he has completed at least one year but less than five years of credited service, and the employee's survivor is not entitled to a surviving spouse's pension under sec. 430 of this chapter, a lump sum death benefit shall be paid to the beneficiary of the employee. The amount of the lump sum death benefit shall be \$1,000 plus \$100 for each year of credited service. The lump sum death benefit is in addition to a refund of the balance of the employee contribution account of the deceased employee under sec. 210 of this chapter.

(b) If the death of the employee occurs before his retirement and after he has completed at least five years of credited service, and the employee's survivor is not entitled to a surviving spouse's pension under sec. 430 of this chapter, the survivor may at his discretion receive either the benefits described in (a) of this section or a 50 per cent joint and survivor option based upon credited service to the date of the employee's death and payable to the survivor commencing the first day of the month following the death of the employee.

- * Sec. 23. AS 39.35.430(d) is amended to read:

(d) A determination of whether the proximate cause of death was a bodily injury sustained, or a hazard undergone, while in the performance and within the scope of the employee's duties and whether the injury or hazard was the proximate result of the wilful negligence of the employee shall be made by the administrator, based upon evidence satisfactory to the administrator. Payment of the surviving spouse's pension shall begin on the first day of the month after the employee's death, and the last payment shall be made as of the first day of the month in which the death or remarriage of the surviving spouse occurs.

- * Sec. 24. AS 39.35.450(a) is amended to read:

(a) By filing an application with the administrator, an employee may designate his spouse or a dependent approved by the administrator as his contingent beneficiary and may elect to receive a pension payable in accordance with one of the following joint and survivor options, instead of the normal retirement pension to which he may otherwise become entitled upon retirement.

(1) The employee shall receive a reduced pension payable for life, and payments in the amount of 75 per cent of the reduced pension shall, after the employee's death, be continued to his contingent beneficiary for life.

(2) The employee shall receive a reduced pension payable for life, and payments in the amount of 50 per cent of the reduced pension shall, after the employee's death, be continued to his contingent beneficiary for life.

(3) The employee shall receive a reduced pension payable during the joint lifetime of the employee and his contingent beneficiary, and payments in the amount of 66 2/3 per cent of the reduced pension shall, after the death of either the employee or his contingent beneficiary, be continued to the survivor for life.

* Sec. 25. AS 39.35.450(c) is amended to read:

(c) An employee may elect, change, or revoke an option without the approval of the administrator if his election, change, or revocation is filed in writing with the administrator at least 30 days before his retirement date. The option may not be elected, changed, or revoked after the 30 day period begins.

* Sec. 26. AS 39.35.450(d) is amended to read:

(d) An employee may, regardless of his age, elect an option without the approval of the administrator any time within six months after the effective date of his employer's participation in the system, if the employee is in the active employ of the employer at the time the election is made.

* Sec. 27. AS 39.35.480(a) is amended to read:

(a) An employee who remains in the state after his retirement, so long as he continues to reside in the state, shall receive a cost of living allowance in addition to his pension. The amount of this allowance shall be determined by the board as described in (c) of this section but in no case shall be less than \$50 or 10 per cent of the basic retirement benefit received by the retired employee, whichever is greater.

* Sec. 28. AS 39.35.610 is amended to read:

Sec. 39.35.610. TRANSMITTAL OF CONTRIBUTIONS TO COMMISSIONER OF ADMINISTRATION. The contributions of the political subdivision or public organization and the contributions of its employees shall be transmitted to the commissioner of administration as soon as practicable after the close of the payroll period for which the contributions are made. If an employer is delinquent in transferring the contributions for more than 15 days, interest shall be assessed on the outstanding contributions at one and one-half times the most recent actuarially determined rate of earnings for the retirement system from the date that the contributions were originally due.

* Sec. 29. AS 39.35.620(b) is repealed and re-enacted to read:

(b) All employees of the terminating employer whose contributions have not been refunded, regardless of their employment status at the date of termination, shall be considered fully vested in their adjusted accrued retirement benefits as of the date of termination of the employer.

* Sec. 30. AS 39.35.620 is amended by adding a new subsection to read:

(c) If the terminating employer has not liquidated his past service liability on the date of termination, the accrued vested benefits of all employees of the terminating employer to which the employees are entitled because of service before July 1, 1973, or the date of entry of the employer, whichever is later, shall be reduced by an amount derived by multiplying the accrued vested benefit by a fraction, the numerator of which is the remaining unfunded past service liability and the denominator of which is the actuarially calculated value of benefits earned before July 1, 1973, or the entry date of the employer, whichever is later.

* Sec. 31. AS 39.35.620 is amended by adding a new subsection to read:

(d) Each employee of a terminating employer must, within 60 days of the employer's termination of participation, inform the administrator, in writing, whether he wishes to obtain a refund or a vested benefit.

* Sec. 32. AS 39.35.620 is amended by adding a new subsection to read:

(e) Each employee who elects to obtain a refund shall receive a refund of the balance, determined as of the date of his employer's termination of participation, of (1) his employee contribution account and (2) his employee savings account. The vesting in accrued benefits for each employee who elects to receive a refund is voided upon his receipt of his refund. No partial refund may be allowed under this section.

* Sec. 33. AS 39.35.620 is amended by adding a new subsection to read:

(f) For each employee who elects to obtain a vested benefit, the amount actuarially determined as necessary to fully fund the benefits to be received shall be transferred first from the employee contribution account and, after the employee contribution account has been exhausted, then from the employer contribution account into the retirement reserve account.

* Sec. 34. AS 39.35.620 is amended by adding a new subsection to read:

(g) After all of the employees of the terminating employer have either received refunds or have been vested in their accrued benefits, the remaining funds in the employer contribution account shall be refunded to the employer and the employer contribution account shall be closed.

* Sec. 35. AS 39.35.620 is amended by adding a new subsection to read:

(h) Termination of an employer's participation in the system shall not bar future participation in the system by that employer. If a previously terminated employer returns to the system his employees may be credited only with service subsequent to the date of return. Adjustments made to the accrued benefits of the employees of the previously terminated employer at the time of his termination may not be altered by that employer's return to participation in the system.

* Sec. 36. AS 39.35.680 is amended by adding new paragraphs to read:

(20) "military service" means service in the armed forces of the United States after January 1, 1940;

(21) "administrator" means the person appointed by the commissioner of administration under sec. 50 of this chapter;

(22) "past service liability" means

(A) for each employer participating in the system on December 31, 1972, that part of the actuarially determined value of accrued benefits for that employer as of that date which exceeds the total of the value of the employer account and the mandatory contribution account for each employee of the employer as of that date;

(B) for each employer entering participation after December 31, 1972, the actuarially determined value of benefits with respect to service with that employer before the employer's entry into the system;

(C) for all employers, the uniform annual amount required to amortize the amount of the unfunded obligation of the employer, as described in (A) and (B) of this paragraph, over a period of 40 years; this 40-year period begins the effective date of the employer's participation in the system or on January 1, 1973, whichever is later.