

**CS FOR HOUSE BILL NO. 220(FIN)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-SECOND LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered: 4/27/22

Referred: Rules

Sponsor(s): REPRESENTATIVES HOPKINS, Fields, Drummond, Story, Snyder, Schrage, Ortiz, Spohnholz, Hannan, Tarr, Claman, Edgmon, Zulkosky, Wool, Tuck, Josephson

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to the Public Employees' Retirement System of Alaska and the**  
2 **teachers' retirement system; providing certain employees an opportunity to choose**  
3 **between the defined benefit and defined contribution plans of the Public Employees'**  
4 **Retirement System of Alaska and the teachers' retirement system; and providing for an**  
5 **effective date."**

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

7 \* **Section 1.** AS 14.25.009 is repealed and reenacted to read:

8 **Sec. 14.25.009. Applicability of AS 14.25.009 - 14.25.220.** (a) The provisions  
9 of AS 14.25.009 - 14.25.220 apply to teachers who are eligible to be members of the  
10 teachers' retirement system under AS 14.25.009 - 14.25.220 and are not members of  
11 the defined contribution retirement plan under AS 14.25.310 - 14.25.590.

12 (b) An employer that participates in the plan shall also participate in the  
13 defined contribution retirement plan under AS 14.25.310 - 14.25.590.

1 \* **Sec. 2.** AS 14.25.040(a) is amended to read:

2 (a) Unless a teacher or member participates in a university retirement program  
3 under AS 14.40.661 - 14.40.799 or has elected under **AS 14.25.330 or former**  
4 AS 14.25.540 to participate in the plan established in AS 14.25.310 - 14.25.590, a  
5 teacher or member contracting for service with a participating employer is subject to  
6 AS 14.25.009 - 14.25.220.

7 \* **Sec. 3.** AS 14.25.050(a) is amended to read:

8 (a) Except as provided in (c) **and (e)** of this section, beginning January 1,  
9 1991, each member shall contribute to the plan an amount equal to 8.65 percent of the  
10 member's base salary accrued from July 1 to the following June 30. [THE  
11 EMPLOYER SHALL DEDUCT THE CONTRIBUTION FROM THE MEMBER'S  
12 SALARY AT THE END OF EACH PAYROLL PERIOD, AND THE  
13 CONTRIBUTION SHALL BE CREDITED BY THE PLAN TO THE MEMBER  
14 CONTRIBUTION ACCOUNT. THE CONTRIBUTIONS SHALL BE DEDUCTED  
15 FROM EMPLOYEE COMPENSATION BEFORE THE COMPUTATION OF  
16 APPLICABLE FEDERAL TAXES AND SHALL BE TREATED AS EMPLOYER  
17 CONTRIBUTIONS UNDER 26 U.S.C. 414(h)(2). A MEMBER MAY NOT HAVE  
18 THE OPTION OF MAKING THE PAYROLL DEDUCTION DIRECTLY IN CASH  
19 INSTEAD OF HAVING THE CONTRIBUTION PICKED UP BY THE  
20 EMPLOYER.]

21 \* **Sec. 4.** AS 14.25.050 is amended by adding new subsections to read:

22 (e) A member who first participates in the plan after June 30, 2006, shall  
23 contribute to the plan an amount equal to eight percent of the member's compensation.  
24 The board may, from time to time, adjust the contribution under this subsection to an  
25 amount that,

26 (1) if decreased, is not less than eight percent of the member's  
27 compensation; and

28 (2) if increased, is not more than 12 percent of the member's  
29 compensation.

30 (f) The employer shall deduct the contribution from the member's salary at the  
31 end of each payroll period, and the contribution shall be credited by the plan to the

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

6 \* **Sec. 5.** AS 14.25.087 is amended to read:

7 **Sec. 14.25.087. Contributions for medical benefits.** Contributions made by  
 8 an employer under AS 14.25.070 and 14.25.085 **must** [SHALL] be separately  
 9 computed for benefits provided by AS 14.25.168 **and 14.25.171. The contributions**  
 10 **computed for benefits provided by AS 14.25.168 must** [AND SHALL] be deposited  
 11 in the Alaska retiree health care trust established under AS 39.30.097(a), **and the**  
 12 **contributions computed for benefits provided by AS 14.25.171 must be deposited**  
 13 **in the teachers' and public employees' retiree health reimbursement arrangement**  
 14 **plan trust fund established under AS 39.30.340.**

15 \* **Sec. 6.** AS 14.25.110(a) is amended to read:

16 (a) Subject to AS 14.25.167, a member **who first became a member of the**  
 17 **plan before July 1, 2006,** is eligible for a normal retirement benefit if the member

18 (1) was first hired before July 1, 1975, has attained the age of 55 years,  
 19 and has at least 15 years of credited service, the last five of which have been  
 20 membership service, or is otherwise vested in the plan;

21 (2) has attained the age of 60 years and has at least eight years of  
 22 membership service;

23 (3) has attained the age of 60 years, has at least five years of  
 24 membership service, and has Alaska BIA service which, when added to the  
 25 membership service, will equal at least eight years;

26 (4) has at least 25 years of credited service, the last five of which have  
 27 been membership service;

28 (5) has at least 20 years of membership service;

29 (6) has at least 20 years of combined membership service and Alaska  
 30 BIA service, the last five of which have been membership service; or

31 (7) has, for each of 20 school years,

- 1 (A) at least one-half year of membership service as a part-time  
 2 teacher;
- 3 (B) one full year of membership service as a full-time teacher;  
 4 or
- 5 (C) any combination of service qualified under this paragraph.

6 \* **Sec. 7.** AS 14.25.110 is amended by adding a new subsection to read:

7 (n) Subject to AS 14.25.167, a member who first became a member of the  
 8 plan on or after July 1, 2006, is eligible for a normal retirement benefit if the member

9 (1) has attained the age of 60 years; or

10 (2) has at least 30 years of membership service.

11 \* **Sec. 8.** AS 14.25.143(e) is amended to read:

12 (e) When computing a death benefit under **former** AS 14.25.155 **or under**  
 13 **AS 14.25.157** [, 14.25.157,] or 14.25.160 or a survivor's benefit under AS 14.25.162,  
 14 14.25.164, or 14.25.167, adjustments granted to the deceased member or survivor  
 15 under this section shall be included in the computation.

16 \* **Sec. 9.** AS 14.25.157(a) is amended to read:

17 (a) If [(1)] the death of a member occurs before the member first attains  
 18 eligibility for normal retirement [, AND (2) THE PROXIMATE CAUSE OF DEATH  
 19 IS A BODILY INJURY SUSTAINED OR HAZARD UNDERGONE WHILE IN  
 20 THE PERFORMANCE AND WITHIN THE SCOPE OF THE MEMBER'S DUTIES  
 21 OF EMPLOYMENT,] and **the death** [(3) THE INJURY OR HAZARD] is not the  
 22 proximate result of wilful negligence on the part of the member, the administrator  
 23 shall pay a monthly survivor's pension equal to 40 percent of the member's base salary  
 24 at the time of termination of employment, divided by 12, to the member's surviving  
 25 spouse. If there is no surviving spouse, the administrator shall pay the monthly  
 26 survivor's pension in equal parts to the dependent children of the member. On the date  
 27 the normal retirement of the member would have occurred if the member had lived,  
 28 monthly payments must equal the monthly amount of the normal retirement benefit to  
 29 which the member, had the member lived and continued employment until the  
 30 member's normal retirement date, would have been entitled with an average base  
 31 salary as existed at the member's death and the credited service to which the member

1 would have been entitled. If the member does not have a spouse or dependent children  
 2 at the time of death or if the member designates as beneficiary under AS 14.25.166  
 3 someone other than the surviving spouse or dependent children, the administrator shall  
 4 pay the member's designated beneficiary those benefits available to a beneficiary  
 5 under AS 14.25.160(b) and (c) and may not pay a benefit to the surviving spouse or  
 6 dependent children.

7 \* **Sec. 10.** AS 14.25.157(c) is amended to read:

8 (c) Benefits are not payable under this section if benefits are payable under  
 9 **former** AS 14.25.155 **or under AS 14.25.160** [, 14.25.160], 14.25.162, 14.25.164, or  
 10 14.25.167.

11 \* **Sec. 11.** AS 14.25.162(b) is amended to read:

12 (b) A survivor's allowance is payable under this section as follows:

13 (1) an allowance of 10 percent of the member's base salary  
 14 immediately before the member's death, retirement, or disability shall be paid for each  
 15 dependent child; if there are four or more dependent children, the total amount paid to  
 16 those children is 40 percent of the member's base salary before the member's death,  
 17 retirement, or disability, paid in equal amounts to each child; the allowance shall be  
 18 recomputed for the month in which the number of dependent children is less than four  
 19 and the benefits shall be decreased accordingly; the adoption of a dependent child does  
 20 not terminate the survivor's allowance payable under this section;

21 (2) an allowance of 35 percent of the member's base salary shall be  
 22 paid to the member's surviving spouse as long as there is an eligible dependent child,  
 23 as determined under (b)(1) of this section, for whom the surviving spouse is legally  
 24 responsible; if there is no surviving spouse, an allowance of 10 percent of the  
 25 member's base salary shall be paid to each court-appointed guardian, not to exceed one  
 26 allowance for each child or for each group of children who have the same guardian or  
 27 joint guardians;

28 (3) when no further benefits are payable under this section, the  
 29 difference between the amount that would have been paid under AS 14.25.160 and any  
 30 payments made to the member, spouse, guardian, or dependent children under this  
 31 section shall be paid to those beneficiaries described in AS 14.25.166;

1 (4) benefits are not payable under this section if benefits are payable  
 2 under **former** AS 14.25.155 **or under AS 14.25.157** [, 14.25.157], 14.25.164, or  
 3 14.25.167.

4 \* **Sec. 12.** AS 14.25.164(b) is amended to read:

5 (b) A spouse's pension is payable under this section as follows:

6 (1) a spouse's pension is equal to 50 percent of the retirement benefit  
 7 that the deceased member was receiving; if the member was not receiving a retirement  
 8 benefit, the spouse's pension is equal to 50 percent of the amount the member would  
 9 have received, based on the member's average base salary and credited service to the  
 10 date of the member's death and assuming that the member would have been eligible  
 11 for a normal retirement benefit as of that date;

12 (2) in the event of the death of a member's spouse who is receiving a  
 13 spouse's pension, the difference between the amount that would have been paid under  
 14 AS 14.25.160 and any payments made to the member, spouse, guardian, or dependent  
 15 children shall be paid to those beneficiaries described in AS 14.25.166;

16 (3) benefits are not payable under this section if benefits are payable  
 17 under **former** AS 14.25.155 **or under AS 14.25.157** [, 14.25.157], 14.25.162, or  
 18 14.25.167.

19 \* **Sec. 13.** AS 14.25.167(a) is amended to read:

20 (a) Benefits payable under this section are in place of benefits payable under  
 21 **former AS 14.25.155 or under** AS 14.25.110, 14.25.125, [14.25.155,] 14.25.157,  
 22 14.25.160, 14.25.162, or 14.25.164. Upon filing an application for retirement with the  
 23 administrator, or when a disabled member becomes eligible for normal retirement  
 24 under AS 14.25.130(e), the member shall designate the person who is the member's  
 25 spouse at the time of appointment to retirement as the contingent beneficiary.  
 26 However, if the designation of the spouse is revoked under (c) of this section, the  
 27 member may designate a dependent approved by the administrator as the contingent  
 28 beneficiary or may take normal or early retirement under AS 14.25.110 or 14.25.125.  
 29 The administrator shall pay benefits under the option elected by the member. The  
 30 member may elect an option that provides that

31 (1) the member is entitled to receive a reduced benefit payable for life,

1 and, after the member's death, the contingent beneficiary is entitled to receive  
2 payments in the amount of 75 percent of the reduced benefit for life;

3 (2) the member is entitled to receive a reduced benefit payable for life,  
4 and, after the member's death, the contingent beneficiary is entitled to receive  
5 payments in the amount of 50 percent of the reduced benefit for life; or

6 (3) the member is entitled to receive a reduced benefit payable during  
7 the joint lifetime of the member and the contingent beneficiary, and, after the death of  
8 either the member or the contingent beneficiary, the survivor is entitled to receive  
9 payments in the amount of 66-2/3 percent of the reduced benefit for life.

10 \* **Sec. 14.** AS 14.25.167(e) is amended to read:

11 (e) If either the member or contingent beneficiary dies before the member is  
12 appointed to retirement, the election becomes inoperative. Once the member is  
13 appointed to retirement, the election is irrevocable, even if the retired member is  
14 reemployed. Any additional retirement benefit to which the reemployed member may  
15 become entitled will be paid in accordance with the initial election made under this  
16 section, unless the contingent beneficiary is deceased. If the contingent beneficiary is  
17 deceased, the benefits earned during the period of reemployment are subject to  
18 AS 14.25.110, or this section if another contingent beneficiary was designated during  
19 the period of reemployment. All other benefits earned during previous periods of  
20 employment are subject to the election at the time the member was appointed to  
21 retirement. [IF DEATH OCCURS DURING THE PERIOD OF REEMPLOYMENT  
22 AND THE PROXIMATE CAUSE OF DEATH IS NOT A BODILY INJURY  
23 SUSTAINED OR HAZARD UNDERGONE WHILE IN THE PERFORMANCE  
24 AND WITHIN THE SCOPE OF THE MEMBER'S DUTIES OF EMPLOYMENT,  
25 THOSE BENEFITS EARNED WHILE REEMPLOYED ARE SUBJECT TO  
26 AS 14.25.155(c).] All other benefits earned during previous periods of employment  
27 are subject to the election at the time the member was appointed to retirement. If death  
28 occurs during the period of reemployment and [THE PROXIMATE CAUSE OF  
29 DEATH IS A BODILY INJURY SUSTAINED OR HAZARD UNDERGONE  
30 WHILE IN THE PERFORMANCE AND WITHIN THE SCOPE OF THE  
31 MEMBER'S DUTIES OF EMPLOYMENT AND THE INJURY OR HAZARD] is

1 not the proximate result of wilful negligence on the part of the member, all benefits  
2 earned during all periods of employment are subject to AS 14.25.157.

3 \* **Sec. 15.** AS 14.25.168(a) is amended to read:

4 (a) Except as provided in AS 14.25.171 and (c) of this section, the following  
5 persons are entitled to major medical insurance coverage under this section:

6 (1) for teachers first hired before July 1, 1990,

7 (A) a teacher who is receiving a monthly benefit from the plan  
8 and who has elected coverage;

9 (B) the spouse and dependent children of the teacher described  
10 in (A) of this paragraph;

11 (C) the surviving spouse of a deceased teacher who is receiving  
12 a monthly benefit from the plan and who has elected coverage;

13 (D) the dependent children of a deceased teacher who are  
14 dependent on the surviving spouse described in (C) of this paragraph;

15 (2) for teachers first hired on or after July 1, 1990,

16 (A) a teacher who is receiving a monthly benefit from the plan  
17 and who has elected coverage for the teacher;

18 (B) the spouse of the teacher described in (A) of this paragraph  
19 if the teacher elected coverage for the spouse;

20 (C) the dependent children of the teacher described in (A) of  
21 this paragraph if the teacher elected coverage for the dependent children;

22 (D) the surviving spouse of a deceased teacher who is receiving  
23 a monthly benefit from the plan and who has elected coverage;

24 (E) the dependent children of a deceased teacher who are  
25 dependent on the surviving spouse described in (D) of this paragraph if the  
26 surviving spouse has elected coverage for the dependent children.

27 \* **Sec. 16.** AS 14.25.169 is amended to read:

28 **Sec. 14.25.169. Duplicate benefits.** If payments from this retirement plan are  
29 due to a teacher or to the teacher's spouse under more than one provision of this plan,  
30 the teacher or spouse shall elect under which provision and which benefit the teacher  
31 or spouse wishes to receive and no payments may be made under any other provision.



1           However, benefits under **former** AS 14.25.155 **or under AS 14.25.157** [, 14.25.157],  
 2           14.25.160, 14.25.162, 14.25.164, and 14.25.167 shall be paid in addition to those  
 3           benefits or that service credit a person is entitled to receive because of the person's  
 4           own membership in the retirement plan. A teacher may not receive (1) duplicate credit  
 5           under this plan for the same period of service, (2) more than one year of service credit  
 6           in the course of a school year, or (3) a benefit while accruing service credit under this  
 7           plan, except as provided in this section.

8           \* **Sec. 17.** AS 14.25 is amended by adding a new section to read:

9                       **Sec. 14.25.171. Medical benefit; eligibility of employees first hired after**  
 10           **June 30, 2006; surviving spouses and dependents.** (a) An employee who became a  
 11           member of the plan after June 30, 2006, retired directly from the plan, receives a  
 12           monthly benefit from the plan, and has elected benefits under this section is entitled to  
 13           medical benefits under this section. A member who applies for medical benefits under  
 14           this section shall apply on the forms and in the manner prescribed by the  
 15           administrator.

16                       (b) The member's surviving spouse is eligible to elect medical benefits if the  
 17           member had retired or was eligible for retirement and medical benefits at the time of  
 18           the member's death.

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

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

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

30                       (f) Participation in the retiree major medical insurance plan is not required in  
 31           order to participate in the health reimbursement arrangement plan.

1 (g) A person eligible for medical benefits under this section is not required to  
 2 participate in the health reimbursement arrangement plan in order to participate in the  
 3 retiree major medical insurance plan.

4 (h) A person who is eligible for medical benefits under this section must make  
 5 the irrevocable election to participate or not participate in the retiree major medical  
 6 insurance plan on or before the date the person reaches 70 1/2 years of age or when the  
 7 person applies for retirement and medical benefits, whichever is later.

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

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

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

20 (l) The cost of premiums for retiree major medical insurance coverage under  
 21 this section for an eligible member or surviving spouse who is

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

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

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

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

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

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

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

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

8 (n) The administrator shall

9 (1) inform a person entitled to retiree major medical insurance  
10 coverage under this section in writing

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

14 (B) of time limits for selecting optional health insurance  
15 coverage; and

16 (C) whether the election is irrevocable; and

17 (2) require that a person entitled to retiree major medical insurance  
18 coverage under this section indicate in writing on a form provided by the administrator  
19 whether the person has

20 (A) received the information required by this subsection; and

21 (B) chosen to receive optional health insurance coverage.

22 (o) The monthly group premiums for retiree major medical insurance coverage  
23 under this section are established by the administrator in accordance with  
24 AS 39.30.095. Nothing in this chapter guarantees a person who elects coverage under  
25 (a) of this section a monthly group premium rate for retiree major medical insurance  
26 coverage other than the premium in effect for the month in which the premium is due  
27 for coverage for that month.

28 (p) In this section, "health reimbursement arrangement plan" means the State  
29 of Alaska Teachers' and Public Employees' Retiree Health Reimbursement  
30 Arrangement Plan established in AS 39.30.300.

31 \* **Sec. 18.** AS 14.25.220(5) is amended to read:

1 (5) "average base salary" means,

2 **(A) for a teacher who first became a member before July 1,**  
 3 **2006,** the result obtained by dividing the sum of the member's three highest  
 4 years' base salary by three, or if a member does not have three years base  
 5 salary, then by dividing the sum of all base salaries by the number of years of  
 6 base salary;

7 **(B) for a teacher who first became a member on or after**  
 8 **July 1, 2006, the result obtained by dividing the sum of the member's five**  
 9 **highest consecutive years' base salary by five, or if a member does not**  
 10 **have five years' base salary, then by dividing the sum of all base salaries**  
 11 **by the number of years of base salary;** the base salary for a year in which  
 12 credit is granted for disability totaling more than one-third of a year may not be  
 13 used in the computation of the average base salary; the base salary in a school  
 14 year for which the member receives compensation for less than two-thirds of a  
 15 year may not be used in the computation of the average base salary; if  
 16 compensation is received for more than two-thirds of a year, the full base  
 17 salary for that school year shall be used in the computation of the average base  
 18 salary;

19 \* **Sec. 19.** AS 14.25.310 is amended to read:

20 **Sec. 14.25.310. Applicability of AS 14.25.310 - 14.25.590.** The provisions of  
 21 AS 14.25.310 - 14.25.590 apply only to

22 **(1) teachers who first become members on or after July 1, 2006, and**  
 23 **before the effective date of this section who do not transfer to a defined benefit**  
 24 **retirement plan under AS 14.25.009 - 14.25.220 or AS 39.35.095 - 39.35.680;**

25 **(2) teachers described in AS 14.25.330 who elect under that section**  
 26 **to become** [TO MEMBERS WHO ARE EMPLOYED BY EMPLOYERS THAT DO  
 27 NOT PARTICIPATE IN THE DEFINED BENEFIT RETIREMENT PLAN  
 28 ESTABLISHED UNDER AS 14.25.009 - 14.25.220, TO FORMER MEMBERS  
 29 UNDER AS 14.25.220, OR TO] members; **and**

30 **(3) teachers** who **transferred** [TRANSFER] into the defined  
 31 contribution retirement plan under **former** AS 14.25.540.

1 \* **Sec. 20.** AS 14.25.310 is amended by adding a new subsection to read:

2 (b) An employer that participates in the plan shall also participate in the  
3 defined benefit retirement plan under AS 14.25.009 - 14.25.220.

4 \* **Sec. 21.** AS 14.25.330 is repealed and reenacted to read:

5 **Sec. 14.25.330. Retirement plan election option.** (a) Except as provided in (f)  
6 of this section, a teacher who is first hired on or after the effective date of this section  
7 may make a one-time election to participate in the defined contribution retirement plan  
8 under AS 14.25.310 - 14.25.590 retroactive to the date of hire and may transfer to that  
9 plan employee contributions, if any, and employer contributions, if any, that have been  
10 made to the defined benefit retirement plan under AS 14.25.009 - 14.25.220. Before  
11 employer contributions are transferred under this subsection, the administrator shall  
12 recalculate them under AS 14.25.070.

13 (b) The election to participate in the defined contribution retirement plan  
14 under (a) of this section must be made within 90 days after the date of hire and be  
15 made in writing on a form and in the manner prescribed by the administrator. Before  
16 accepting an election to participate in the defined contribution retirement plan, the  
17 administrator shall, within 20 days after the administrator receives notification of the  
18 teacher's date of hire, provide the teacher eligible to make an election to participate in  
19 the defined contribution retirement plan under AS 14.25.310 - 14.25.590 with

20 (1) information, including calculations to illustrate the effect of  
21 moving the teacher's retirement plan from the defined benefit retirement plan to the  
22 defined contribution retirement plan; and

23 (2) other information clearly to inform the teacher of the potential  
24 consequences of the teacher's election.

25 (c) An election made under (a) of this section to participate in the defined  
26 contribution retirement plan is irrevocable. Retroactive to the date of hire, the teacher  
27 shall be enrolled in the defined contribution retirement plan under AS 14.25.310 -  
28 14.25.590, the teacher's participation in the plan shall be governed by the provisions  
29 for the defined contribution retirement plan, and the teacher's participation in the  
30 defined benefit retirement plan under AS 14.25.009 - 14.25.220 shall terminate.

31 (d) When an eligible teacher makes an election under (a) of this section, the

1 administrator shall cause the total amount of the teacher's employee and employer  
 2 contributions, with investment earnings and losses through the final day of the  
 3 teacher's participation in the defined benefit retirement plan, to be actuarially  
 4 calculated and transferred to the teacher's designated account in the defined  
 5 contribution retirement plan. The administrator shall establish transfer procedures by  
 6 regulation, but the actual transfer may not be later than 30 days after the date the  
 7 administrator receives the teacher's completed election form under (b) of this section,  
 8 unless the major financial markets for securities available for a transfer are seriously  
 9 disrupted by an unforeseen event that also causes the suspension of trading on any  
 10 national securities exchange in the country where the securities were issued. In that  
 11 event, the 30-day period may be extended by a resolution of the board. Transfers are  
 12 not commissionable or subject to other fees and may be in the form of securities or  
 13 cash as determined by the board. Securities shall be valued on the date of receipt in the  
 14 teacher's account.

15 (e) An election made under (a) of this section by an eligible teacher who is  
 16 married may not take effect unless the election is signed by the teacher's spouse. An  
 17 eligible teacher whose accounts are subject to a qualified domestic relations order may  
 18 not make an election to participate in the defined contribution retirement plan under  
 19 this section unless the qualified domestic relations order is amended or vacated and  
 20 court-certified copies of the order are received by the administrator.

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

24 \* **Sec. 22.** AS 14.25.350(e) is amended to read:

25 (e) An employer shall make annual contributions to a trust account in the plan,  
 26 applied as a percentage of each member's compensation from July 1 to the following  
 27 June 30, in an amount determined by the board to be actuarially required to fully fund  
 28 the cost of providing [OCCUPATIONAL] disability and [OCCUPATIONAL] death  
 29 benefits under AS 14.25.310 - 14.25.590.

30 \* **Sec. 23.** AS 14.25.487(a) is amended to read:

31 (a) If [(1)] the death of a member occurs before the member's retirement and

1 before the member's normal retirement date [, (2) THE PROXIMATE CAUSE OF  
 2 DEATH IS A BODILY INJURY SUSTAINED OR A HAZARD UNDERGONE  
 3 WHILE IN THE PERFORMANCE AND WITHIN THE SCOPE OF THE  
 4 MEMBER'S DUTIES,] and the death [(3) THE INJURY OR HAZARD] is not the  
 5 proximate result of wilful negligence of the member, a monthly survivor's pension  
 6 shall be paid to the surviving spouse. If there is no surviving spouse or if the spouse  
 7 later dies, the monthly survivor's pension shall be paid in equal parts to the dependent  
 8 children of the member.

9 \* **Sec. 24.** AS 14.25.490(a) is amended to read:

10 (a) Subject to art. XII, sec. 7, Constitution of the State of Alaska, the  
 11 [THE] state may [HAS THE RIGHT TO] amend the plan at any time and from time to  
 12 time, in whole or in part, including the right to make retroactive amendments referred  
 13 to in 26 U.S.C. 401(b).

14 \* **Sec. 25.** AS 14.25.490(b) is amended to read:

15 (b) The plan administrator may not modify or amend the plan retroactively [IN  
 16 SUCH A MANNER AS] to reduce [THE] benefits accrued by a [OF ANY] member  
 17 [ACCRUED TO DATE UNDER THE PLAN BY REASON OF CONTRIBUTIONS  
 18 MADE] before the modification or amendment except to the extent that the reduction  
 19 is permitted by art. XII, sec. 7, Constitution of the State of Alaska, and the Internal  
 20 Revenue Code.

21 \* **Sec. 26.** AS 14.25.490(c) is amended to read:

22 (c) Subject to art. XII, sec. 7, Constitution of the State of Alaska, and the  
 23 Internal Revenue Code, the [THE] state may [, IN ITS DISCRETION,] terminate the  
 24 plan in whole or part [AT ANY TIME] without liability for the termination. If the plan  
 25 is terminated, all investments at the time of termination remain in force until all  
 26 individual accounts have been completely distributed under the plan. After [, AND,  
 27 AFTER] all plan liabilities are satisfied, excess assets of the plan revert to the  
 28 employer.

29 \* **Sec. 27.** AS 14.25.490(d) is repealed and reenacted to read:

30 (d) Within one year after determining that a contribution to the plan by an  
 31 employer was the result of a mistake of fact, the administrator shall return the

1 contribution to the employer.

2 \* **Sec. 28.** AS 37.10.220(a) is amended to read:

3 (a) The board shall

4 (1) hold regular and special meetings at the call of the chair or of at  
5 least five members; meetings are open to the public, and the board shall keep a full  
6 record of all its proceedings;

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

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

12 (4) assist in prescribing the policies for the proper operation of the  
13 systems and take other actions necessary to carry out the intent and purpose of the  
14 systems in accordance with AS 37.10.210 - 37.10.390;

15 (5) provide a range of investment options and establish the rules by  
16 which participants can direct their investments among those options with respect to  
17 accounts established under

18 (A) AS 14.25.340 - 14.25.350 (teachers' retirement system  
19 defined contribution individual accounts);

20 (B) AS 39.30.150 - 39.30.180 (State of Alaska Supplementary  
21 Annuity Plan);

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

24 (D) AS 39.45.010 - 39.45.060 (public employees' deferred  
25 compensation program);

26 (6) establish the rate of interest that shall be annually credited to each  
27 member's individual contribution account in accordance with AS 14.25.145 and  
28 AS 39.35.100 and the rate of interest that shall be annually credited to each member's  
29 account in the health reimbursement arrangement plan under AS 39.30.300 -  
30 39.30.495; the rate of interest shall be adopted on the basis of the probable effective  
31 rate of interest on a long-term basis, and the rate may be changed from time to time;



1 (7) adopt a contribution surcharge as necessary under AS 39.35.160(c);

2 (8) coordinate with the retirement system administrator to have an  
3 annual actuarial valuation of each retirement system prepared to determine system  
4 assets, accrued liabilities, and funding ratios and to certify to the appropriate  
5 budgetary authority of each employer in the system

6 (A) an appropriate contribution rate for normal costs; [AND]

7 (B) an appropriate contribution rate for liquidating any past  
8 service liability; in this subparagraph, the appropriate contribution rate for  
9 liquidating the past service liability of the defined benefit retirement plan under  
10 AS 14.25.009 - 14.25.220 or the past service liability of the defined benefit  
11 retirement plan under AS 39.35.095 - 39.35.680 must be determined by a level  
12 percent of pay method based on amortization of the past service liability for a  
13 closed term of 25 years; **and**

14 **(C) appropriate adjustments, if any, under (b)(5) of this**  
15 **section;**

16 (9) review actuarial assumptions prepared and certified by a member  
17 of the American Academy of Actuaries and conduct experience analyses of the  
18 retirement systems not less than once every four years, except for health cost  
19 assumptions, which shall be reviewed annually; the results of all actuarial assumptions  
20 prepared under this paragraph shall be reviewed and certified by a second member of  
21 the American Academy of Actuaries before presentation to the board;

22 (10) contract for an independent audit of the state's actuary not less  
23 than once every four years;

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

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

29 (13) by the first day of each regular legislative session, report to the  
30 governor, the legislature, and the individual employers participating in the state's  
31 retirement systems on the financial condition of the systems in regard to

- 1 (A) the valuation of trust fund assets and liabilities;  
 2 (B) current investment policies adopted by the board;  
 3 (C) a summary of assets held in trust listed by the categories of  
 4 investment;  
 5 (D) the income and expenditures for the previous fiscal year;  
 6 (E) the return projections for the next calendar year;  
 7 (F) one-year, three-year, five-year, and 10-year investment  
 8 performance for each of the funds entrusted to the board; and  
 9 (G) other statistical data necessary for a proper understanding  
 10 of the financial status of the systems;  
 11 (14) submit quarterly updates of the investment performance reports to  
 12 the Legislative Budget and Audit Committee;  
 13 (15) develop an annual operating budget; [AND]  
 14 (16) administer pension forfeitures required under AS 37.10.310 using  
 15 the procedures of AS 44.62 (Administrative Procedure Act).

16 \* **Sec. 29.** AS 37.10.220(b) is amended to read:

- 17 (b) The board may  
 18 (1) employ outside investment advisors to review investment policies;  
 19 (2) enter into an agreement with the fiduciary of another state fund in  
 20 order to assume the management and investment of those assets;  
 21 (3) contract for other services necessary to execute the board's powers  
 22 and duties;  
 23 (4) enter into confidentiality agreements that would exempt records  
 24 from AS 40.25.110 and 40.25.120 if the records contain information that could affect  
 25 the value of investment by the board or that could impair the ability of the board to  
 26 acquire, maintain, or dispose of investments;  
 27 **(5) adjust contribution rates under AS 14.25.050(e) and**  
 28 **AS 39.35.160(e) and (f).**

29 \* **Sec. 30.** AS 39.30.090(a) is amended to read:

- 30 (a) The Department of Administration may obtain a policy or policies of group  
 31 insurance covering state employees, persons entitled to coverage under AS 14.25.168,

1        **14.25.171**, 14.25.480, AS 22.25.090, AS 39.35.535, **39.35.537**, 39.35.880, or former  
2 AS 39.37.145, employees of other participating governmental units, or persons  
3 entitled to coverage under AS 23.15.136, subject to the following conditions:

4            (1) a group insurance policy shall provide one or more of the following  
5 benefits: life insurance, accidental death and dismemberment insurance, weekly  
6 indemnity insurance, hospital expense insurance, surgical expense insurance, dental  
7 expense insurance, audiovisual insurance, or other medical care insurance;

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

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

14                    (A) its governing body adopts a resolution authorizing  
15 participation and payment of required premiums;

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

18                    (C) the commissioner of administration approves the  
19 participation in writing;

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

30            (5) the Department of Administration shall make available bid  
31 specifications for desired insurance benefits or for administration of benefit claims and

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

14 (6) if the aggregate of dividends payable under the group insurance  
15 policy exceeds the governmental unit's share of the premium, the excess shall be  
16 applied by the governmental unit for the sole benefit of the employees;

17 (7) a person receiving benefits under AS 14.25.110, AS 22.25,  
18 AS 39.35, or former AS 39.37 may continue the life insurance coverage that was in  
19 effect under this section at the time of termination of employment with the state or  
20 participating governmental unit;

21 (8) a person electing to have insurance under (7) of this subsection  
22 shall pay the cost of this insurance;

23 (9) for each permanent part-time employee electing coverage under  
24 this section, the state shall contribute one-half the state contribution rate for permanent  
25 full-time state employees, and the permanent part-time employee shall contribute the  
26 other one-half;

27 (10) a person receiving benefits under AS 14.25, AS 22.25, AS 39.35,  
28 or former AS 39.37 may obtain auditory, visual, and dental insurance for that person  
29 and eligible dependents under this section; the level of coverage for persons over 65  
30 shall be the same as that available before reaching age 65 except that the benefits  
31 payable shall be supplemental to any benefits provided under the federal old age,

1 survivors, and disability insurance program; a person electing to have insurance under  
 2 this paragraph shall pay the cost of the insurance; the commissioner of administration  
 3 shall adopt regulations implementing this paragraph;

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

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

12 \* **Sec. 31.** AS 39.30.097(a) is amended to read:

13 (a) The commissioner of administration is authorized to prefund medical  
 14 benefits provided by AS 14.25.168, 14.25.171, AS 22.25.090, [AND] AS 39.35.535,  
 15 and 39.35.537 by establishing an irrevocable trust that is exempt from federal income  
 16 tax under 26 U.S.C. 115 and subject to the applicable financial reporting, disclosure,  
 17 and actuarial requirements of the Governmental Accounting Standards Board.

18 \* **Sec. 32.** AS 39.30.097(b) is amended to read:

19 (b) The commissioner of administration is authorized to prefund medical  
 20 benefits provided by AS 14.25.171, 14.25.480 [AS 14.25.480], AS 39.30.300,  
 21 AS 39.35.537, and 39.35.880 [AS 39.35.880] by establishing an irrevocable trust that  
 22 is exempt from federal income tax under 26 U.S.C. 115 and subject to the applicable  
 23 financial reporting, disclosure, and actuarial requirements of the Governmental  
 24 Accounting Standards Board.

25 \* **Sec. 33.** AS 39.30.300 is amended to read:

26 **Sec. 39.30.300. State of Alaska Teachers' and Public Employees' Retiree**  
 27 **Health Reimbursement Arrangement Plan established.** The State of Alaska  
 28 Teachers' and Public Employees' Retiree Health Reimbursement Arrangement Plan is  
 29 established for teachers who first become members of the [DEFINED  
 30 CONTRIBUTION PLAN OF THE ] teachers' retirement system under AS 14.25.009 -  
 31 14.25.590 [AS 14.25.310 - 14.25.590] on or after July 1, 2006, and employees of the

1 state, political subdivisions of the state, and public organizations of the state who first  
 2 become members [OF THE DEFINED CONTRIBUTION PLAN] of the **Public**  
 3 **Employees' Retirement System of Alaska (AS 39.35)** [PUBLIC EMPLOYEES'  
 4 RETIREMENT SYSTEM UNDER AS 39.35.700 - 39.35.990] on or after July 1,  
 5 2006.

6 \* **Sec. 34.** AS 39.30.380 is amended to read:

7 **Sec. 39.30.380. Termination of employment.** A person who terminates  
 8 employment before meeting the eligibility requirements of **AS 14.25.171, 14.25.470,**  
 9 **AS 39.35.537, or 39.35.870** [AS 14.25.470 OR AS 39.35.870] loses any right to the  
 10 contributions made on behalf of the person to the teachers' and public employees'  
 11 retiree health reimbursement arrangement trust fund. If a person returns to  
 12 employment with a participating employer by December 31 of the year in which the  
 13 person reaches 65 years of age, the person's account balance shall be restored in the  
 14 amount recorded on the date of termination from the trust, adjusted for inflation at the  
 15 rate of the Consumer Price Index for Anchorage, Alaska. The earlier period of  
 16 employment with a participating employer shall be credited toward eligibility for  
 17 medical benefits.

18 \* **Sec. 35.** AS 39.30.390 is amended to read:

19 **Sec. 39.30.390. Eligibility and reimbursement.** Persons who meet the  
 20 eligibility requirements of **AS 14.25.171, 14.25.470, AS 39.35.537, or 39.35.870**  
 21 [AS 14.25.470 AND AS 39.35.870] are eligible for reimbursements from the  
 22 individual account established for a member under the plan, except members do not  
 23 have to retire directly from the system. A person who is the dependent child of an  
 24 eligible member is eligible for reimbursements if the eligible member and surviving  
 25 spouse have both died so long as the person meets the definition of dependent child.

26 \* **Sec. 36.** AS 39.30.400(a) is amended to read:

27 (a) The administrator may deduct the cost of monthly premiums from the  
 28 individual account for retiree major medical insurance on behalf of an eligible person  
 29 who elected retiree major medical insurance under **AS 14.25.171, 14.25.480,**  
 30 **AS 39.35.537, or 39.35.880** [AS 14.25.480 OR AS 39.35.880].

31 \* **Sec. 37.** AS 39.30.420(a) is amended to read:

1 (a) **Subject to art. XII, sec. 7, Constitution of the State of Alaska, the**  
 2 [THE] state **may** [HAS THE RIGHT TO] amend the plan at any time and from time to  
 3 time, in whole or in part, including the right to make retroactive amendments referred  
 4 to in 26 U.S.C. 401(b).

5 \* **Sec. 38.** AS 39.30.420(b) is amended to read:

6 (b) The plan administrator may not modify or amend the plan retroactively [IN  
 7 SUCH A MANNER AS] to reduce [THE] benefits **accrued by a** [OF ANY] member  
 8 [ACCRUED TO DATE UNDER THE PLAN BY REASON OF CONTRIBUTIONS  
 9 MADE] before the modification or amendment except to the extent that the reduction  
 10 is permitted by **art. XII, sec. 7, Constitution of the State of Alaska, and** the Internal  
 11 Revenue Code.

12 \* **Sec. 39.** AS 39.30.420(c) is amended to read:

13 (c) **Subject to art. XII, sec. 7, Constitution of the State of Alaska, and the**  
 14 **Internal Revenue Code, the** [THE] state may [, IN ITS DISCRETION,] terminate the  
 15 plan in whole or part [AT ANY TIME] without liability for the termination. If the plan  
 16 is terminated, all investments **at the time of termination** remain in force until all  
 17 individual accounts have been completely distributed under the plan. **After** [, AND,  
 18 AFTER] all plan liabilities are satisfied, excess assets **of the plan** revert to the  
 19 employer.

20 \* **Sec. 40.** AS 39.30.420(d) is repealed and reenacted to read:

21 (d) Within one year after determining that a contribution to the plan by an  
 22 employer was the result of a mistake of fact, the administrator shall return the  
 23 contribution to the employer.

24 \* **Sec. 41.** AS 39.30.495(5) is amended to read:

25 (5) "eligible person" means a person who meets the eligibility  
 26 requirements of **AS 14.25.171, 14.25.470, AS 39.35.537, or 39.35.870** [AS 14.25.470  
 27 OR AS 39.35.870];

28 \* **Sec. 42.** AS 39.35.095 is amended to read:

29 **Sec. 39.35.095. Applicability of AS 39.35.095 - 39.35.680.** The  
 30 [FOLLOWING] provisions of **AS 39.35.095 - 39.35.680** [THIS CHAPTER] apply  
 31 only to members first hired

1                   **(1)** before July 1, 2006; **or**

2                   **(2)** after June 30, 2006, who

3                               **(A)** are former members of the defined contribution  
4                   **retirement plan under AS 39.35.700 - 39.35.990; or**

5                               **(B)** have not been members of the defined contribution  
6                   **retirement plan under AS 39.35.700 - 39.35.990** [: AS 39.35.095 -  
7                   39.35.680].

8 \* **Sec. 43.** AS 39.35.160(a) is amended to read:

9                   (a) **Subject to (e) and (f) of this section, beginning** [BEGINNING]  
10                   January 1, 1987, each peace officer or firefighter shall contribute to the plan an  
11                   amount equal to seven and one-half percent of the peace officer's or firefighter's  
12                   compensation, **and, except** [. EXCEPT] as provided in **(d) - (f)** [(d)] of this section,  
13                   beginning January 1, 1987, each other employee shall contribute to the plan an amount  
14                   equal to six and three-quarters percent of the employee's compensation. [THE  
15                   CONTRIBUTIONS SHALL BE DEDUCTED BY THE EMPLOYER AT THE END  
16                   OF EACH PAYROLL PERIOD. THE CONTRIBUTIONS SHALL BE DEDUCTED  
17                   FROM EMPLOYEE COMPENSATION BEFORE COMPUTATION OF  
18                   APPLICABLE FEDERAL TAXES, AND THE CONTRIBUTIONS SHALL BE  
19                   TREATED AS EMPLOYER CONTRIBUTIONS UNDER 26 U.S.C. 414(h)(2). A  
20                   MEMBER MAY NOT HAVE THE OPTION OF MAKING THE PAYROLL  
21                   DEDUCTION DIRECTLY INSTEAD OF HAVING THE CONTRIBUTION  
22                   PICKED UP BY THE EMPLOYER.]

23 \* **Sec. 44.** AS 39.35.160 is amended by adding new subsections to read:

24                   (e) A peace officer or firefighter who first participates in the plan after  
25                   June 30, 2006, shall contribute to the plan an amount equal to eight percent of the  
26                   employee's compensation. The board may, from time to time, adjust the employee  
27                   contribution under this subsection to an amount that,

28                               (1) if decreased, is not less than eight percent of the employee's  
29                   compensation; and

30                               (2) if increased, is not more than 12 percent of the employee's  
31                   compensation.



1 (f) An employee who first participates in the plan after June 30, 2006, and is  
 2 not a peace officer or firefighter shall contribute to the plan an amount equal to eight  
 3 percent of the employee's compensation. The board may, from time to time, adjust the  
 4 employee contribution under this subsection to an amount that,

5 (1) if decreased, is not less than eight percent of the employee's  
 6 compensation; and

7 (2) if increased, is not more than 12 percent of the employee's  
 8 compensation.

9 (g) Contributions under (a), (e), and (f) of this section shall be deducted by the  
 10 employer at the end of each payroll period. The contributions shall be deducted from  
 11 employee compensation before computation of applicable federal taxes, and the  
 12 contributions shall be treated as employer contributions under 26 U.S.C. 414(h)(2). A  
 13 member may not have the option of making the payroll deduction directly instead of  
 14 having the contribution picked up by the employer.

15 \* **Sec. 45.** AS 39.35.282 is amended to read:

16 **Sec. 39.35.282. Contributions for medical benefits.** Contributions made by  
 17 an employer under AS 39.35.255 and 39.35.280 **must** [SHALL] be separately  
 18 computed for benefits provided by AS 39.35.535 **and 39.35.537. The contributions**  
 19 **computed for benefits provided by AS 39.35.535 must** [AND SHALL] be deposited  
 20 in the Alaska retiree health care trust established under AS 39.30.097(a), **and the**  
 21 **contributions computed for benefits provided by AS 39.35.537 must be deposited**  
 22 **in the teachers' and public employees' retiree health reimbursement arrangement**  
 23 **plan trust fund established under AS 39.30.340.**

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

25 (g) A surviving spouse receiving or entitled to receive benefits under **former**  
 26 AS 39.35.420(b) **or under AS 39.35.430** [, 39.35.430,] or 39.35.440 or benefits under  
 27 a joint and survivor option filed under AS 39.35.450 is eligible to receive increased  
 28 benefits based on military service as described in (a) of this section. To receive  
 29 credited service for military service, the surviving spouse shall verify the employee's  
 30 military service. When verified, the surviving spouse is entitled to receive an increased  
 31 benefit which shall be actuarially adjusted to reflect the indebtedness for that credit.

1 The indebtedness shall be calculated in the same manner as described in (b) of this  
 2 section except that it shall be based on the average monthly compensation used in  
 3 calculating the benefit. Benefits payable under this subsection are effective the first  
 4 day of the month following that in which eligibility has been established.

5 \* **Sec. 47.** AS 39.35.370(a) is amended to read:

6 (a) Subject to AS 39.35.450, a terminated employee **who first became a**  
 7 **member before July 1, 2006,** is eligible for a normal retirement benefit

8 (1) at age 60 with at least five years **of** credited service;

9 (2) with at least 20 years of credited service as a peace officer or  
 10 firefighter; or

11 (3) with at least 30 years of credited service **that is not service as a**  
 12 **peace officer or firefighter** [FOR ALL OTHER EMPLOYEES].

13 \* **Sec. 48.** AS 39.35.370 is amended by adding a new subsection to read:

14 (l) Subject to AS 39.35.450, a terminated employee who first becomes a  
 15 member after June 30, 2006, is eligible for a normal retirement benefit

16 (1) at age 60 with at least 30 years of credited service in the system;

17 (2) at age 55 with at least 20 years of credited service in the system as  
 18 a peace officer or firefighter; or

19 (3) at age 65.

20 \* **Sec. 49.** AS 39.35.381(e) is amended to read:

21 (e) A person who retires under this section is not entitled to disability or death  
 22 benefits under AS 39.35.400 - 39.35.440, a minimum benefit under AS 39.35.485, or  
 23 to medical benefits under AS 39.35.535 **or 39.35.537.** Service earned under this  
 24 section may not be used for vesting under AS 39.35.095 - 39.35.680.

25 \* **Sec. 50.** AS 39.35.430(b) is amended to read:

26 (b) If [(1)] the death of an employee occurs before the employee's retirement  
 27 and before the employee's normal retirement date [, AND (2) THE PROXIMATE  
 28 CAUSE OF DEATH IS A BODILY INJURY SUSTAINED OR A HAZARD  
 29 UNDERGONE WHILE IN THE PERFORMANCE AND WITHIN THE SCOPE OF  
 30 THE EMPLOYEE'S DUTIES,] and **the death** [(3) THE INJURY OR HAZARD] is  
 31 not the proximate result of wilful negligence of the employee, a monthly survivor's

1 pension shall be paid to the surviving spouse. If there is no surviving spouse or if the  
 2 spouse later dies, the monthly survivor's pension shall be paid in equal parts to the  
 3 dependent children of the employee. On the date the normal retirement of the  
 4 employee would have occurred if the employee had lived, monthly payments shall  
 5 equal the monthly amount of the normal retirement benefit to which the employee, had  
 6 the employee lived and continued employment until the employee's normal retirement  
 7 date, would have been entitled with an average monthly compensation as existed at  
 8 death and the credited service to which the employee would have been entitled.

9 \* **Sec. 51.** AS 39.35.430(f) is amended to read:

10 (f) If the death of an employee **who was hired before July 1, 2006,** occurs  
 11 [FROM OCCUPATIONAL CAUSES] but no surviving spouse or dependent children  
 12 exist at the time of the death or if the employee designates as beneficiary under  
 13 AS 39.35.490 someone other than the surviving spouse or dependent children, the  
 14 employee's designated beneficiary is entitled to receive those benefits available to a  
 15 beneficiary under **former** AS 39.35.420(c) and **a** [AN OCCUPATIONAL] death  
 16 benefit may not be paid to the surviving spouse or dependent children.

17 \* **Sec. 52.** AS 39.35.440(b) is amended to read:

18 (b) Upon the death of a disabled employee who is receiving or is entitled to  
 19 receive an occupational disability benefit, the administrator shall pay the surviving  
 20 spouse a surviving spouse's pension, equal to 40 percent of the employee's monthly  
 21 compensation at the termination of employment because of occupational disability. If  
 22 there is no surviving spouse, the administrator shall pay the survivor's pension in equal  
 23 parts to the dependent children of the employee. On the date the normal retirement of  
 24 the employee would have occurred if the employee had lived, the administrator shall  
 25 adjust the monthly payments to equal the monthly amount of the normal retirement  
 26 benefit to which the employee, had the employee lived and continued employment  
 27 until the employee's normal retirement date, would have been entitled with an average  
 28 monthly compensation as existed at death and the credited service to which the  
 29 employee would have been entitled. If the death of an employee **who was hired**  
 30 **before July 1, 2006,** occurs [FROM OCCUPATIONAL CAUSES] but no surviving  
 31 spouse or dependent children exist at the time of the death, or if the employee

1 designates as beneficiary under AS 39.35.490 someone other than the surviving  
 2 spouse or dependent children, the administrator shall pay the employee's designated  
 3 beneficiary those benefits available to a beneficiary under **former** AS 39.35.420(c)  
 4 and may not pay **a** [AN OCCUPATIONAL] death benefit to the surviving spouse or  
 5 dependent children.

6 \* **Sec. 53.** AS 39.35.450(e) is amended to read:

7 (e) If either the employee or contingent beneficiary dies before the employee  
 8 is appointed to retirement, the election becomes inoperative. Once the employee is  
 9 appointed to retirement, the election is irrevocable. If a retired employee is  
 10 reemployed and is subsequently reappointed to retirement, those benefits earned  
 11 during the period of reemployment are subject to the initial election made under this  
 12 section, unless the contingent beneficiary is deceased. If the contingent beneficiary is  
 13 deceased, the benefits earned during the period of reemployment are subject to  
 14 AS 39.35.370 or this section if another contingent beneficiary was elected during the  
 15 period of reemployment. All other benefits earned during prior periods of employment  
 16 are subject to the election at the time the employee was appointed to retirement. [IF  
 17 DEATH OCCURS FROM NONOCCUPATIONAL CAUSES DURING THE  
 18 PERIOD OF REEMPLOYMENT, THOSE BENEFITS EARNED WHILE  
 19 REEMPLOYED ARE SUBJECT TO AS 39.35.420(b). ALL OTHER BENEFITS  
 20 EARNED DURING PRIOR PERIODS OF EMPLOYMENT ARE SUBJECT TO  
 21 THE ELECTION AT THE TIME THE EMPLOYEE WAS APPOINTED TO  
 22 RETIREMENT.] If death occurs [FROM OCCUPATIONAL CAUSES] during the  
 23 period of reemployment, all benefits earned during all periods of employment are  
 24 subject to AS 39.35.430(b) and (c).

25 \* **Sec. 54.** AS 39.35.475(a) is amended to read:

26 (a) **Subject to (g) of this section, once** [ONCE] each year the administrator  
 27 shall increase benefit payments to eligible disabled members, to persons age 60 or  
 28 older receiving benefits under this plan in the preceding calendar year, and to persons  
 29 who have received benefits under this plan for at least five years who are not  
 30 otherwise eligible for an increase under this section.

31 \* **Sec. 55.** AS 39.35.475(e) is amended to read:

1 (e) When computing a [AN OCCUPATIONAL] death benefit under  
 2 AS 39.35.430 or 39.35.440 or a survivor's benefit under AS 39.35.450, adjustments  
 3 granted to the deceased member or survivor under this section shall be included.

4 \* **Sec. 56.** AS 39.35.475 is amended by adding a new subsection to read:

5 (g) A person who receives a benefit under AS 39.35.370(l) is eligible to  
 6 receive an increase in benefits under this section.

7 \* **Sec. 57.** AS 39.35.485(a) is amended to read:

8 (a) An employee who is eligible for a benefit calculated in accordance with  
 9 AS 39.35.370(c) is entitled to a benefit of at least \$25 a month for each year of  
 10 credited service, not including adjustments made under AS 39.35.340 for military  
 11 service, AS 39.35.360 for credit for earlier service, AS 39.35.370(c) for early  
 12 retirement, former AS 39.35.420 for nonoccupational death benefits payable for an  
 13 employee hired before July 1, 2006, AS 39.35.450 for the survivor's option, former  
 14 AS 39.35.460 for the level income option, AS 39.35.475 for the post-retirement  
 15 pension adjustment, and AS 39.35.480 for the cost of living.

16 \* **Sec. 58.** AS 39.35.530 is amended to read:

17 **Sec. 39.35.530. Limit on pension.** An employee may not simultaneously  
 18 receive a pension under more than one section of AS 39.35.095 - 39.35.680. However,  
 19 benefits under former AS 39.35.420(b) or under AS 39.35.430 [, 39.35.430],  
 20 39.35.440, or 39.35.450 shall be paid in addition to the benefits or service credit a  
 21 person is entitled to receive because of the person's own membership in the retirement  
 22 plan. An employee may not (1) receive duplicate credit under this plan for the same  
 23 period of service, (2) receive more than one year of service credit in the course of any  
 24 calendar year, or (3) receive a benefit while accruing service credit under this plan,  
 25 except as provided in this section.

26 \* **Sec. 59.** AS 39.35.535(a) is amended to read:

27 (a) Except as provided in (d) and (g) of this section, the following persons are  
 28 entitled to major medical insurance coverage under this section:

29 (1) for employees first hired before July 1, 1986,

30 (A) an employee who is receiving a monthly benefit from the  
 31 plan and who has elected coverage;

1 (B) the spouse and dependent children of the employee  
2 described in (A) of this paragraph;

3 (C) the surviving spouse of a deceased employee who is  
4 receiving a monthly benefit from the plan and who has elected coverage;

5 (D) the dependent children of a deceased employee who are  
6 dependent on the surviving spouse described in (C) of this paragraph;

7 (2) for members first hired on or after July 1, 1986,

8 (A) an employee who is receiving a monthly benefit from the  
9 plan and who has elected coverage for the employee;

10 (B) the spouse of the employee described in (A) of this  
11 paragraph if the employee elected coverage for the spouse;

12 (C) the dependent children of the employee described in (A) of  
13 this paragraph if the employee elected coverage for the dependent children;

14 (D) the surviving spouse of a deceased employee who is  
15 receiving a monthly benefit from the plan and who has elected coverage;

16 (E) the dependent children of a deceased employee who are  
17 dependent on the surviving spouse described in (D) of this paragraph if the  
18 surviving spouse has elected coverage for the dependent children.

19 \* **Sec. 60.** AS 39.35.535(c) is amended to read:

20 (c) A benefit recipient **who became a member before July 1, 2006, or the**  
21 **surviving spouse of the member** may elect major medical insurance coverage in  
22 accordance with regulations and under the following conditions:

23 (1) a person, other than a disabled member or a disabled member who  
24 is appointed to normal retirement, **shall** [MUST] pay an amount equal to the full  
25 monthly group premium for retiree major medical insurance coverage if the person is

26 (A) younger than 60 years of age and has less than

27 (i) 25 years of credited service as a peace officer under  
28 AS 39.35.360 and 39.35.370; or

29 (ii) 30 years of credited service under AS 39.35.360 and  
30 39.35.370 that is not service as a peace officer; or

31 (B) of any age and has less than 10 years of credited service;

1 (2) a person is not required to make premium payments for retiree  
2 major medical coverage if the person

3 (A) is a disabled member;

4 (B) is a disabled member who is appointed to normal  
5 retirement;

6 (C) is 60 years of age or older and has at least 10 years of  
7 credited service; or

8 (D) has at least

9 (i) 25 years of credited service as a peace officer under  
10 AS 39.35.360 and 39.35.370; or

11 (ii) 30 years of credited service under AS 39.35.360 and 39.35.370 not as a  
12 peace officer.

13 \* **Sec. 61.** AS 39.35.535 is amended by adding a new subsection to read:

14 (g) A benefit recipient who is a peace officer or firefighter and who first  
15 becomes a member after June 30, 2006, or a surviving spouse who is eligible under  
16 AS 39.35.537(b) may elect medical benefits under AS 39.35.537.

17 \* **Sec. 62.** AS 39.35 is amended by adding a new section to read:

18 **Sec. 39.35.537. Medical benefit; eligibility of employees first hired after**  
19 **June 30, 2006; surviving spouses and dependents.** (a) An employee who became a  
20 member of the plan after June 30, 2006, retired directly from the plan, receives a  
21 monthly benefit from the plan, and has elected benefits under this section is entitled to  
22 medical benefits under this section. A member who applies for medical benefits under  
23 this section shall apply on the forms and in the manner prescribed by the  
24 administrator.

25 (b) The member's surviving spouse is eligible to elect medical benefits if the  
26 member had retired or was eligible for retirement and medical benefits at the time of  
27 the member's death.

28 (c) The medical benefits available to eligible persons are access to the retiree  
29 major medical insurance plan and access to the health reimbursement arrangement  
30 plan under AS 39.30.300. Access to the retiree major medical insurance plan means  
31 that an eligible person may not be denied insurance coverage except for failure to pay

1 the required premium.

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

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

8 (f) Participation in the retiree major medical insurance plan is not required in  
9 order to participate in the health reimbursement arrangement plan.

10 (g) A person eligible for medical benefits under this section is not required to  
11 participate in the health reimbursement arrangement plan in order to participate in the  
12 retiree major medical insurance plan.

13 (h) A person who is eligible for medical benefits under this section must make  
14 the irrevocable election to participate or not participate in the retiree major medical  
15 insurance plan on or before the date the person reaches 70 1/2 years of age or when the  
16 person applies for retirement and medical benefits, whichever is later.

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

20 (j) The coverage for persons 65 years of age or older is the same as that  
21 available for persons under 65 years of age. The benefits payable to those persons 65  
22 years of age or older supplement any benefits provided under the federal old age,  
23 survivors, and disability insurance program.

24 (k) The medical and optional insurance premiums owed by the person who  
25 elects coverage may be deducted from the health reimbursement arrangement plan. If  
26 the amount of the health reimbursement arrangement plan becomes insufficient to pay  
27 the premiums, the person who elects coverage under (a) of this section shall pay the  
28 premiums directly.

29 (l) The cost of premiums for retiree major medical insurance coverage under  
30 this section for an eligible member or surviving spouse who is

31 (1) not eligible for Medicare is an amount equal to the full monthly



1 group premiums for retiree major medical insurance coverage;

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

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

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

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

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

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

13 (m) The eligibility for retiree major medical insurance coverage for an  
14 alternate payee under a qualified domestic relations order shall be determined based  
15 on the eligibility of the member to elect coverage. The alternate payee shall pay the  
16 full monthly premium for retiree major medical insurance coverage.

17 (n) The administrator shall

18 (1) inform a person entitled to retiree major medical insurance  
19 coverage under this section in writing

20 (A) that the health insurance coverage available to retired  
21 members may be different from the health insurance coverage provided to  
22 employees;

23 (B) of time limits for selecting optional health insurance  
24 coverage; and

25 (C) whether the election is irrevocable; and

26 (2) require that a person entitled to retiree major medical insurance  
27 coverage under this section indicate in writing on a form provided by the administrator  
28 whether the person has

29 (A) received the information required by this subsection; and

30 (B) chosen to receive optional health insurance coverage.

31 (o) The monthly group premiums for retiree major medical insurance coverage

1 under this section are established by the administrator in accordance with  
 2 AS 39.30.095. Nothing in this chapter guarantees a person who elects coverage under  
 3 (a) of this section a monthly group premium rate for retiree major medical insurance  
 4 coverage other than the premium in effect for the month in which the premium is due  
 5 for coverage for that month.

6 (p) In this section, "health reimbursement arrangement plan" means the State  
 7 of Alaska Teachers' and Public Employees' Retiree Health Reimbursement  
 8 Arrangement Plan established in AS 39.30.300.

9 \* **Sec. 63.** AS 39.35.680(4) is amended to read:

10 (4) "average monthly compensation" means the result obtained by  
 11 dividing the compensation earned by an employee during a considered period by the  
 12 number of months, including fractional months, for which compensation was earned;  
 13 an employee must have at least 115 days of credited service in the last payroll year in  
 14 order for that year to be used as part of the consecutive payroll years; the considered  
 15 period consists of

16 (A) for employees first hired before July 1, 1996, the three  
 17 consecutive payroll years during the period of credited service that yield the  
 18 highest average;

19 (B) for employees first hired on or after July 1, 1996, the five  
 20 consecutive payroll years during the period of credited service that yield the  
 21 highest average;

22 (C) if the employee does not have the number of consecutive  
 23 payroll years required by (A) or (B) of this paragraph, the actual number of  
 24 months, including fractional months, that the employee worked;

25 (D) for an employee who has made an election under  
 26 AS 39.35.300(c) or 39.35.310(c), the actual number of months, including  
 27 fractional months, that the employee worked;

28 (E) for a peace officer or firefighter hired **before July 1, 2006**  
 29 [AT ANY TIME], the three consecutive payroll years during the period of  
 30 credited service that yield the highest average;

31 **(F) for an employee first hired after June 30, 2006, the five**

1 **consecutive payroll years during the period of credited service that yield**  
 2 **the highest average;**

3 \* **Sec. 64.** AS 39.35.680(26) is amended to read:

4 (26) "normal retirement" means retirement for a member who is  
 5 eligible to receive benefits under AS 39.35.370(a) **or (I)** or [UNDER] 39.35.385(a) or  
 6 (f);

7 \* **Sec. 65.** AS 39.35.700 is amended to read:

8 **Sec. 39.35.700. Applicability of AS 39.35.700 - 39.35.990.** The provisions of  
 9 AS 39.35.700 - 39.35.990 apply only to

10 **(1) members first hired on or after July 1, 2006, and before the**  
 11 **effective date of this section who do not transfer to a defined benefit retirement**  
 12 **plan under AS 14.25.009 - 14.25.220 or AS 39.35.095 - 39.35.680;**

13 **(2) public employees described in AS 39.35.720 who elect under**  
 14 **that section to become** [TO MEMBERS WHO ARE EMPLOYED BY  
 15 EMPLOYERS THAT DO NOT PARTICIPATE IN THE DEFINED BENEFIT  
 16 RETIREMENT PLAN ESTABLISHED UNDER AS 39.35.095 - 39.35.680, TO  
 17 FORMER MEMBERS AS DEFINED IN AS 39.35.680, OR TO] members; **and**

18 **(3) members** who **transferred** [TRANSFER] into the defined  
 19 contribution retirement plan under **former** AS 39.35.940.

20 \* **Sec. 66.** AS 39.35.700 is amended by adding a new subsection to read:

21 (b) A public organization as defined in AS 39.35.680 or a municipality or  
 22 other political subdivision of the state that participates in the plan shall also participate  
 23 in the defined benefit retirement plan under AS 39.35.095 - 39.35.680.

24 \* **Sec. 67.** AS 39.35.720 is repealed and reenacted to read:

25 **Sec. 39.35.720. Retirement plan election option.** (a) A public employee who  
 26 is first hired on or after the effective date of this section may make a one-time election  
 27 to participate in the defined contribution retirement plan under AS 39.35.700 -  
 28 39.35.990 retroactive to the date of hire and may transfer to that plan employee  
 29 contributions, if any, and employer contributions, if any, that have been made to the  
 30 defined benefit retirement plan under AS 39.35.095 - 39.35.680. Before employer  
 31 contributions are transferred under this subsection, the administrator shall recalculate

1 them under AS 39.35.255.

2 (b) The election to participate in the defined contribution retirement plan  
3 under (a) of this section must be made within 90 days after the date of hire and be  
4 made in writing on a form and in the manner prescribed by the administrator. Before  
5 accepting an election to participate in the defined contribution retirement plan under  
6 AS 39.35.700 - 39.35.990, the administrator shall, within 20 days after the  
7 administrator receives notice of the public employee's date of hire, provide the  
8 employee eligible to make an election to participate in the defined contribution  
9 retirement plan with

10 (1) information, including calculations to illustrate the effect of  
11 moving the employee's retirement plan from the defined benefit retirement plan to the  
12 defined contribution retirement plan; and

13 (2) other information clearly to inform the employee of the potential  
14 consequences of the employee's election.

15 (c) An election made under (a) of this section to participate in the defined  
16 contribution retirement plan is irrevocable. Retroactive to the date of hire, the  
17 employee shall be enrolled in the defined contribution retirement plan under  
18 AS 39.35.700 - 39.35.990, the employee's participation in the plan shall be governed  
19 by the provisions for the defined contribution retirement plan, and the employee's  
20 participation in the defined benefit retirement plan under AS 39.35.095 - 39.35.680  
21 shall terminate.

22 (d) When an employee makes an election under (a) of this section, the  
23 administrator shall cause the total amount of the employee's employee and employer  
24 contributions, with investment earnings and losses through the final day of the  
25 employee's participation in the defined benefit retirement plan, to be actuarially  
26 calculated and transferred to the employee's designated account in the defined  
27 contribution retirement plan. The administrator shall establish transfer procedures by  
28 regulation, but the actual transfer may not be later than 30 days after the date the  
29 administrator receives the employee's completed election form under (b) of this  
30 section, unless the major financial markets for securities available for a transfer are  
31 seriously disrupted by an unforeseen event that also causes the suspension of trading

1 on any national securities exchange in the country where the securities were issued. In  
 2 that event, the 30-day period may be extended by a resolution of the board. Transfers  
 3 are not commissionable or subject to other fees and may be in the form of securities or  
 4 cash as determined by the board. Securities shall be valued on the date of receipt in the  
 5 employee's account.

6 (e) An election made under (a) of this section by an eligible employee who is  
 7 married may not take effect unless the election is signed by the employee's spouse. An  
 8 eligible employee whose accounts are subject to a qualified domestic relations order  
 9 may not make an election to participate in the defined contribution retirement plan  
 10 under this section unless the qualified domestic relations order is amended or vacated  
 11 and court-certified copies of the order are received by the administrator.

12 \* **Sec. 68.** AS 39.35.750(e) is amended to read:

13 (e) An employer shall make annual contributions to a trust account in the plan,  
 14 applied as a percentage of each member's compensation from July 1 to the following  
 15 June 30, in an amount determined by the board to be actuarially required to fully fund  
 16 the cost of providing [OCCUPATIONAL] disability and [OCCUPATIONAL] death  
 17 benefits under AS 39.35.700 - 39.35.990 and retirement benefits elected by disabled  
 18 peace officers and firefighters under AS 39.35.890(h)(2). The contribution required  
 19 under this subsection for peace officers and firefighters and the contribution required  
 20 under this subsection for other employees shall be separately calculated based on the  
 21 actuarially calculated costs for each group of employees.

22 \* **Sec. 69.** AS 39.35.892(a) is amended to read:

23 (a) If [(1)] the death of an employee occurs before the employee's retirement  
 24 and before the employee's normal retirement date [, (2) THE PROXIMATE CAUSE  
 25 OF DEATH IS A BODILY INJURY SUSTAINED OR A HAZARD UNDERGONE  
 26 WHILE IN THE PERFORMANCE AND WITHIN THE SCOPE OF THE  
 27 EMPLOYEE'S DUTIES,] and the death [(3) THE INJURY OR HAZARD] is not the  
 28 proximate result of wilful negligence of the employee, a monthly survivor's pension  
 29 shall be paid to the surviving spouse. If there is no surviving spouse or if the spouse  
 30 later dies, the monthly survivor's pension shall be paid in equal parts to the dependent  
 31 children of the employee.

1 \* **Sec. 70.** AS 39.35.892(e) is amended to read:

2 (e) On the date the employee would have first qualified for normal retirement  
 3 if the employee had survived, the retirement benefit shall be determined under the  
 4 provisions of AS 39.35.820 - 39.35.840, 39.35.870, and 39.35.880. In addition to  
 5 payment of the member's individual account, the surviving spouse or, if there is no  
 6 surviving spouse, the surviving dependent children of the member, shall receive an  
 7 additional benefit in an amount equal to the accumulated contributions that would  
 8 have been made to the deceased member's individual account under AS 39.35.730(a)  
 9 and 39.35.750(a), based on the deceased member's gross monthly compensation at the  
 10 time of [OCCUPATIONAL] death, from the time of the member's death to the date  
 11 the member would have first qualified for normal retirement if the member had  
 12 survived. Earnings shall be allocated to the additional benefit calculated under this  
 13 subsection based on the actual rate of return, net of expenses, of the trust account  
 14 established under AS 39.35.750(e) over the period that such contributions would have  
 15 been made. This additional amount and allocated earnings shall be paid in the same  
 16 manner as determined for the member's individual account under AS 39.35.820 -  
 17 39.35.860 to the extent permitted by the Internal Revenue Service. An employee who  
 18 died and whose survivors receive [OCCUPATIONAL] death benefits under this  
 19 section shall be considered to have retired directly from the plan on the date the  
 20 employee would have first qualified for normal retirement if the employee had  
 21 survived. The period of time during which a survivor's pension is paid under this  
 22 section constitutes membership service for the purpose of determining vesting in  
 23 employer contributions under AS 39.35.790(b) and eligibility for medical benefits  
 24 under AS 39.30.300 - 39.30.495 and AS 39.35.700 - 39.35.990.

25 \* **Sec. 71.** AS 39.35.895(a) is amended to read:

26 (a) **Subject to art. XII, sec. 7, Constitution of the State of Alaska, the**  
 27 [THE] state **may** [HAS THE RIGHT TO] amend the plan at any time and from time to  
 28 time, in whole or in part, including the right to make retroactive amendments referred  
 29 to in 26 U.S.C. 401(b).

30 \* **Sec. 72.** AS 39.35.895(b) is amended to read:

31 (b) The plan administrator may not modify or amend the plan retroactively [IN

1 SUCH A MANNER AS] to reduce [THE] benefits **accrued by a** [OF ANY] member  
 2 [ACCRUED TO DATE UNDER THE PLAN BY REASON OF CONTRIBUTIONS  
 3 MADE] before the modification or amendment except to the extent that the reduction  
 4 is permitted by **art. XII, sec. 7, Constitution of the State of Alaska, and** the Internal  
 5 Revenue Code.

6 \* **Sec. 73.** AS 39.35.895(c) is amended to read:

7 (c) **Subject to art. XII, sec. 7, Constitution of the State of Alaska, and the**  
 8 **Internal Revenue Code, the** [THE] state may [, IN ITS DISCRETION,] terminate the  
 9 plan in whole or part [AT ANY TIME] without liability for the termination. If the plan  
 10 is terminated, all investments **at the time of termination** remain in force until all  
 11 individual accounts have been completely distributed under the plan. **After** [, AND,  
 12 AFTER] all plan liabilities are satisfied, excess assets **of the plan** revert to the  
 13 employer.

14 \* **Sec. 74.** AS 39.35.895(d) is repealed and reenacted to read:

15 (d) Within one year after determining that a contribution to the plan by an  
 16 employer was the result of a mistake of fact, the administrator shall return the  
 17 contribution to the employer.

18 \* **Sec. 75.** AS 39.35.958(c) is amended to read:

19 (c) When an employer's participation in the plan is terminated, or when an  
 20 employer terminates coverage of a department, group, or other classification of  
 21 employees under AS 39.35.957(c), the administrator shall assess the employer a  
 22 termination cost that the administrator determines is actuarially required to fully fund  
 23 the costs to the plan for employees whose coverage is terminated, including the cost of  
 24 providing the employer's share of retiree health benefits under AS 39.35.880,  
 25 [OCCUPATIONAL] disability and [OCCUPATIONAL] death benefits under  
 26 AS 39.35.890 and 39.35.892, and pension benefits elected under AS 39.35.890(h)(2).

27 \* **Sec. 76.** AS 14.25.012(c), 14.25.155, 14.25.157(d), 14.25.487(d), 14.25.540;  
 28 AS 39.35.420, 39.35.430(h), 39.35.892(d), and 39.35.940 are repealed.

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

31 RETIREMENT PLAN ELECTION. (a) A teacher who was first hired after June 30,

1 2006, and before the effective date of this section, and who is a member of the defined  
 2 contribution retirement plan under AS 14.25.310 - 14.25.590 may, within 90 days after the  
 3 effective date of this section, make a one-time election to participate in the defined benefit  
 4 retirement plan under AS 14.25.009 - 14.25.220 and to transfer all contributions that have  
 5 been made or should be made to the defined contribution retirement plan for service the  
 6 member completes before the effective date of the member's participation in the defined  
 7 benefit retirement plan. The transferred contributions shall be used to purchase credited  
 8 service in the defined benefit retirement plan on an actuarial equivalent basis determined by  
 9 the Alaska Retirement Management Board established under AS 37.10.210.

10 (b) An employee who was first hired after June 30, 2006, and before the effective date  
 11 of this section, and who is a member of the defined contribution retirement plan under  
 12 AS 39.35.700 - 39.35.990, may, within 90 days after the effective date of this section, make a  
 13 one-time election to participate in the defined benefit retirement plan under AS 39.35.095 -  
 14 39.35.680 and to transfer all contributions that have been made or should be made to the  
 15 defined contribution retirement plan for service the member completes before the effective  
 16 date of the member's participation in the defined benefit retirement plan. The transferred  
 17 contributions shall be used to purchase credited service in the defined benefit retirement plan  
 18 on an actuarial equivalent basis determined by the Alaska Retirement Management Board  
 19 established under AS 37.10.210.

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

22 RETIREMENT PLAN ELECTION PROCEDURE. (a) An election made under sec.  
 23 77 of this Act to participate in a defined benefit retirement plan must be made in writing on  
 24 one or more forms and in the manner prescribed by the administrator. Before accepting an  
 25 election to participate in a defined benefit retirement plan, the administrator shall provide the  
 26 employee who plans on making an election to participate in a defined benefit retirement plan  
 27 with information, including calculations to illustrate the effect of moving the employee's  
 28 retirement plan from a defined contribution retirement plan to a defined benefit retirement  
 29 plan as well as other information that informs the employee of potential consequences of the  
 30 employee's election.

31 (b) An election made under sec. 77 of this Act to participate in a defined benefit



1 retirement plan is irrevocable. On the effective date of the election, an eligible employee who  
2 makes the election shall be enrolled as a member of a defined benefit retirement plan, and the  
3 employee's participation in the plan shall be governed by the applicable provisions of the  
4 defined benefit retirement plan. The employee's enrollment in the defined benefit retirement  
5 plan is retroactive to the date of hire. An election made by an eligible employee who is  
6 married is not effective unless the election is signed by the employee's spouse.

7 (c) When an eligible employee makes a one-time election under sec. 77 of this Act,  
8 the administrator shall cause the total amount of the employee's employee and employer  
9 contributions, with investment earnings and losses through the day of the employee's election  
10 to participate as a member in a defined benefit retirement plan, to be actuarially calculated  
11 and, subject to (e) of this section, transferred to the pension fund in the corresponding defined  
12 benefit retirement plan. On the effective date of the employee's participation in a defined  
13 benefit retirement plan, the employee shall be credited with service in the defined benefit  
14 retirement plan that may be purchased under an actuarial equivalent purchase formula as  
15 determined by the board. The board shall establish transfer procedures by regulation, but the  
16 actual transfer may not occur later than 30 days after the date the administrator receives the  
17 employee's completed forms under (a) of this section, unless the major financial markets for  
18 securities available for a transfer are seriously disrupted by an unforeseen event that also  
19 causes the suspension of trading on any national securities exchange in the country where the  
20 securities were issued. In that event, the 30-day period may be extended by a resolution of the  
21 board. A transfer is not commissionable or subject to other fees and may be in the form of  
22 cash or a security as determined by the board. A security shall be valued on the date of receipt  
23 in the employee's account. In this subsection, "board" means the Alaska Retirement  
24 Management Board established under AS 37.10.210.

25 (d) When making a transfer for an eligible employee under (c) of this section, the  
26 administrator shall cause an amount equal to the

27 (1) decrease in the accrued actuarial liability of the death and disability trust in  
28 the defined contribution retirement plan resulting from the transfer as of the date of transfer,  
29 based on the most recent actuarial valuation of the death and disability trust, to be transferred  
30 from the death and disability trust in the defined contribution retirement plan to the pension  
31 fund in the defined benefit retirement plan; and

1           (2) increase in the accrued actuarial liability of the health care trust in the  
2 defined benefit retirement plan resulting from the transfer as of the date of transfer, based on  
3 the actuarial assumptions set out in (g) of this section, to be transferred from the trust  
4 established under AS 39.30.097(b) for the prefunding of medical benefits provided by  
5 AS 14.25.480 and AS 39.35.880 to the trust established under AS 39.30.097(a) for the  
6 prefunding of medical benefits provided by AS 14.25.171 and AS 39.35.537.

7           (e) If the value actuarially calculated under (c) of this section is insufficient to pay for  
8 service credit equal to the employee's actual service, the administrator shall allow the  
9 employee the option of purchasing any indebtedness up to the amount needed to eliminate the  
10 insufficiency; however, if that value exceeds the amount needed to pay for a service credit  
11 equal to the employee's actual service, the administrator shall cause the excess to remain in  
12 the employee's retirement plan established under AS 14.25.310 - 14.25.590 or AS 39.35.700 -  
13 39.35.990. An excess under this subsection may not be used to purchase service credit in a  
14 retirement plan administered under AS 14.25 or AS 39.35.

15           (f) The amount of service that can be purchased under (e) of this section is based on  
16 the transferred employee's accrued actuarial liability of pension benefits in the defined benefit  
17 retirement plan. The actuarial assumptions under this section are based on the actuarial  
18 assumptions set out in (g) of this section.

19           (g) Actuarial assumptions about either the teachers' retirement system or the Public  
20 Employees' Retirement System of Alaska must be based on the most recent actuarial  
21 valuation of the corresponding defined benefit retirement plan, except that the retirement rates  
22 are computed at 25 percent of the retirement rates used in the most recent actuarial valuation  
23 of the pension trust for that plan plus 75 percent of the retirement rates used in the most recent  
24 actuarial valuation of the corresponding defined contribution retirement plan.

25           (h) The provisions of this section are subject to the requirements of the Internal  
26 Revenue Code and the limitations under AS 39.35.115, 39.35.678, 39.35.710(c) and (d), and  
27 39.35.895. In this subsection, "Internal Revenue Code" has the meaning given in  
28 AS 39.35.990.

29           (i) In this section,

30                 (1) "administrator" means the commissioner of administration or the person  
31 designated by the commissioner of administration under AS 39.35.003 for a public

1 employees' retirement plan;

2 (2) "defined benefit retirement plan" means a retirement plan established  
3 under AS 14.25.009 - 14.25.220 or AS 39.35.095 - 39.35.680;

4 (3) "defined contribution retirement plan" means a retirement plan established  
5 under AS 14.25.310 - 14.25.590 or AS 39.35.700 - 39.35.990.

6 \* **Sec. 79.** The uncodified law of the State of Alaska is amended by adding a new section to  
7 read:

8 ADOPTION OF REGULATIONS. (a) The Alaska Retirement Management Board  
9 may adopt regulations necessary to implement secs. 28 and 29 of this Act. Regulations  
10 adopted by the Alaska Retirement Management Board under this Act relate to the internal  
11 management of a state agency and are not subject to AS 44.62 (Administrative Procedure Act)  
12 under AS 37.10.240.

13 (b) The commissioner of administration may adopt regulations necessary to  
14 implement secs. 1 - 27 and 30 - 78 of this Act. Regulations adopted by the commissioner of  
15 administration under this Act relate to the internal management of a state agency and are not  
16 subject to AS 44.62 (Administrative Procedure Act) under AS 14.25.005, AS 39.30.098, and  
17 AS 39.35.005.

18 (c) Regulations adopted under this section may not take effect before the effective  
19 date of the law being implemented by the regulation.

20 \* **Sec. 80.** Section 79 of this Act takes effect immediately under AS 01.10.070(c).

21 \* **Sec. 81.** Except as provided in sec. 80 of this Act, this Act takes effect July 1, 2022.