

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 236

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY REPRESENTATIVES LYNN, Muñoz, Kerttula, Kawasaki, Miller, Tuck, Holmes, Guttenberg, Petersen, Gardner, Gruenberg

Introduced: 2/20/12

Referred: Labor and Commerce, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to new defined benefit tiers in the public employees' retirement system**
2 **and the teachers' retirement system; providing certain employees an opportunity to**
3 **choose between the defined benefit and defined contribution plans of the public**
4 **employees' retirement system 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7 *** Section 1.** AS 14.25.009 is repealed and reenacted to read: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) Except as provided in (a) and (c) of this section, a member who first
23 participates in the plan after June 30, 2006, shall contribute to the plan an amount
24 equal to eight percent of the employee's base salary accrued from July 1 to the
25 following June 30.

26 (f) The employer shall deduct the contributions under (a) and (e) of this
27 section from the member's salary at the end of each payroll period, and the
28 contributions shall be credited by the plan to the member contribution account. The
29 contributions shall be deducted from employee compensation before the computation
30 of applicable federal taxes and shall be treated as employer contributions under 26
31 U.S.C. 414(h)(2). A member may not have the option of making the payroll deduction

1 directly in cash instead of having the contribution picked up by the employer.

2 * **Sec. 5.** AS 14.25.130(c) is amended to read:

3 (c) Once each year during the first five years following appointment to
4 disability under this section, and once every three-year period thereafter, the
5 administrator may require a disabled member who **first became a member before**
6 **July 1, 2006, and who** has not attained eligibility for normal retirement to undergo a
7 medical or mental examination by a competent physician. The administrator shall
8 suspend any disability benefit for a disabled member who refuses to undergo a
9 physical or mental examination when requested under this section.

10 * **Sec. 6.** AS 14.25.130 is amended by adding new subsections to read:

11 (g) A person who first becomes a member after June 30, 2006, and who is
12 receiving a benefit under this section shall undergo a medical examination as often as
13 the administrator considers advisable, but not more frequently than once each year.
14 The administrator shall determine the place of the examination and engage the
15 physician or physicians. If, in the judgment of the administrator, the examination
16 indicates that the disabled member is no longer incapacitated because of a total and
17 apparently permanent occupational disability, the administrator may not issue further
18 disability benefits to the member.

19 (h) A person who first becomes a member after June 30, 2006, and who is
20 appointed to disability benefits shall apply to the division of vocational rehabilitation
21 of the Department of Labor and Workforce Development within 30 days after the date
22 disability benefits commence. The member shall be enrolled in a rehabilitation
23 program if the member meets the eligibility requirements of the division of vocational
24 rehabilitation. Unless the member demonstrates cause, benefits shall terminate at the
25 end of the first month in which a disabled member

26 (1) fails to report to the division of vocational rehabilitation;

27 (2) is certified by the division of vocational rehabilitation as failing to
28 cooperate in a vocational rehabilitation program;

29 (3) fails to interview for a job; or

30 (4) fails to accept a position offered.

31 * **Sec. 7.** AS 14.25.168(d) is amended to read:

1 (d) A benefit recipient, or the surviving spouse of a benefit recipient, who
 2 first becomes a member before July 1, 2006, may elect major medical insurance
 3 coverage in accordance with regulations and under the following conditions:

4 (1) a benefit recipient [PERSON] who has less than 25 years of
 5 membership service and who is younger than 60 years of age must pay an amount
 6 equal to the full monthly group premium for retiree major medical insurance coverage;

7 (2) a disabled member, a disabled member who is appointed to normal
 8 retirement, a person 60 years of age or older, or a person who has at least 25 years of
 9 membership service is not required to make premium payments.

10 * **Sec. 8.** AS 14.25.168 is amended by adding new subsections to read:

11 (g) A benefit recipient, or the surviving spouse of a benefit recipient, who first
 12 becomes a member after June 30, 2006, may elect major medical insurance coverage
 13 in accordance with regulations and under the following conditions:

14 (1) if the participating member or surviving spouse is not eligible for
 15 Medicare, the cost of a monthly premium for retiree major medical insurance coverage
 16 elected under this section is equal to the full monthly group premium for retiree major
 17 medical insurance coverage;

18 (2) if the participating member or surviving spouse is eligible for
 19 Medicare, the cost of a monthly premium for retiree major medical insurance coverage
 20 is a percentage of the full monthly group premium, as follows:

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

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

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

27 (3) the cost of a monthly premium paid by the member or the
 28 member's surviving spouse for retiree major medical insurance coverage is

29 (A) 15 percent of the full monthly group premium if the
 30 participating member has 25 or more, but less than 30, years of service;

31 (B) 10 percent of the full monthly group premium if the

1 participating member has 30 or more years of service;

2 (4) a disabled member or a disabled member who is appointed to
3 normal retirement is not required to make premium payments.

4 (h) On or after July 1, 2018, and every five years thereafter, the administrator
5 shall adjust the percentages under (g)(2) and (3) of this section as needed to maintain,
6 but not to exceed, over the succeeding five years, an employer normal cost rate for the
7 members and survivors who first became members after June 30, 2006, that does not
8 exceed the combined total of the rates under AS 14.25.350(a), (b), (d), and (e) minus
9 the employer normal cost rate attributable to the members who first became members
10 after June 30, 2006, for benefits under AS 14.25.009 - 14.25.167. An adjustment made
11 under this subsection shall remain in effect for five years. In making an adjustment
12 under this subsection, the administrator shall maintain the five percent differences
13 between (g)(2)(A), (B), and (C) of this section and the five percent differences
14 between (g)(3)(A) and (B) of this section.

15 (i) When a member is appointed to retirement, the member obtains a vested
16 right to the applicable percentage under (g)(2) or (3) of this section, as adjusted under
17 (h) of this section, that is in effect when the member is appointed to retirement. A
18 member does not obtain a vested right to a percentage under (g)(2) or (3) of this
19 section, as adjusted under (h) of this section, before the member is appointed to
20 retirement.

21 * **Sec. 9.** AS 14.25.310 is amended to read:

22 **Sec. 14.25.310. Applicability of AS 14.25.310 - 14.25.590.** The provisions of
23 AS 14.25.310 - 14.25.590 apply only to

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

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

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

3 * **Sec. 10.** AS 14.25.310 is amended by adding a new subsection to read:

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

6 * **Sec. 11.** AS 14.25.330 is repealed and reenacted to read:

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

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

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

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

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

1 participation in the defined benefit retirement plan under AS 14.25.009 - 14.25.220
2 shall terminate. An election made by an eligible member who is married is not
3 effective unless the election is signed by the member's spouse.

4 (d) When a member makes an election under (a) of this section, the
5 administrator shall cause the total amount of the member's employee and employer
6 contributions, with investment earnings and losses through the final day of the
7 member's participation in the defined benefit retirement plan, to be actuarially
8 calculated and transferred to the member's designated account in the defined
9 contribution retirement plan. The administrator shall establish transfer procedures by
10 regulation, but the actual transfer may not be later than 30 days after the date the
11 administrator receives the member's election form under (b) of this section, unless the
12 major financial markets for securities available for a transfer are seriously disrupted by
13 an unforeseen event that also causes the suspension of trading on any national
14 securities exchange in the country where the securities were issued. In that event, the
15 30-day period of time may be extended by a resolution of the board. Transfers are not
16 commissionable or subject to other fees and may be in the form of securities or cash as
17 determined by the board. Securities shall be valued on the date of receipt in the
18 member's account.

19 (e) An election made by an eligible member who is married is not effective
20 unless the election is signed by the individual's spouse. An eligible member whose
21 accounts are subject to a qualified domestic relations order may not make an election
22 to participate in the defined contribution retirement plan under this section unless the
23 qualified domestic relations order is amended or vacated and court-certified copies of
24 the order are received by the administrator.

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

26 **Sec. 39.35.095. Applicability of AS 39.35.095 - 39.35.680.** (a) The provisions
27 of AS 39.35.095 - 39.35.680 apply to public employees who are eligible to be
28 members of the public employees' retirement system under AS 39.35.095 - 39.35.680
29 and are not members of the defined contribution retirement plan under AS 39.35.700 -
30 39.35.990.

31 (b) A public organization or a municipality or other political subdivision of the

1 state that participates in the plan shall also participate in the defined contribution
2 retirement plan under AS 39.35.700 - 39.35.900.

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

4 **Sec. 39.35.128. Participation of elected officials of political subdivisions.** (a)

5 A person who is an elected official of a political subdivision of the state and who has
6 not participated in the plan or waived participation in the plan before July 1, 2013, is a
7 member of the plan if

8 (1) the political subdivision has elected under AS 39.35.600 -
9 39.35.650 to designate elected officials in the classifications of employees entitled to
10 participate in the plan; and

11 (2) the elected official receives compensation from the political
12 subdivision for services as an elected official in the amount of at least \$2,001 a month.

13 (b) An elected official entitled to participate under this section, and who either
14 has no previous service under the system with the political subdivision or is retired
15 under the system, may file a waiver of participation in the plan with the administrator
16 within 30 days after the later of July 1, 2013, or the date that the elected official's term
17 of office begins. A waiver is irrevocable for the remainder of the elected official's
18 service as an elected official or employee of the political subdivision.

19 * **Sec. 14.** AS 39.35.160(a) is amended to read:

20 (a) **Subject to (e) of this section, beginning** [BEGINNING] January 1, 1987,
21 each peace officer or firefighter shall contribute to the plan an amount equal to seven
22 and one-half percent of the peace officer's or firefighter's compensation. Except as
23 provided in **(d) and (e)** [(d)] of this section, beginning January 1, 1987, each other
24 employee shall contribute to the plan an amount equal to six and three-quarters percent
25 of the employee's compensation. [THE CONTRIBUTIONS SHALL BE DEDUCTED
26 BY THE EMPLOYER AT THE END OF EACH PAYROLL PERIOD. THE
27 CONTRIBUTIONS SHALL BE DEDUCTED FROM EMPLOYEE
28 COMPENSATION BEFORE COMPUTATION OF APPLICABLE FEDERAL
29 TAXES, AND THE CONTRIBUTIONS SHALL BE TREATED AS EMPLOYER
30 CONTRIBUTIONS UNDER 26 U.S.C. 414(h)(2). A MEMBER MAY NOT HAVE
31 THE OPTION OF MAKING THE PAYROLL DEDUCTION DIRECTLY INSTEAD

1 OF HAVING THE CONTRIBUTION PICKED UP BY THE EMPLOYER.]

2 * **Sec. 15.** AS 39.35.160 is amended by adding new subsections to read:

3 (e) Except as provided in (a) and (d) of this section, an employee, including a
4 peace officer or firefighter, who first participates in the plan after June 30, 2006, shall
5 contribute to the plan an amount equal to eight percent of the employee's
6 compensation.

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

13 * **Sec. 16.** AS 39.35.410(g) is amended to read:

14 (g) A disabled employee **who first became a member before July 1, 2006,**
15 **and who is** receiving an occupational disability benefit shall undergo a medical
16 examination as often as the administrator considers advisable but not more frequently
17 than once each year. The administrator shall determine the place of the examination
18 and engage the physician or physicians. If, in the judgment of the administrator, the
19 examination indicates that the retired employee is no longer incapacitated because of a
20 total and apparently permanent occupational disability, the administrator may not issue
21 further disability benefits to the employee.

22 * **Sec. 17.** AS 39.35.410 is amended by adding a new subsection to read:

23 (k) A person who first becomes a member after June 30, 2006, and who is
24 appointed to disability benefits shall apply to the division of vocational rehabilitation
25 within 30 days after the date disability benefits commence. The employee shall be
26 enrolled in a rehabilitation program if the employee meets the eligibility requirements
27 of the division of vocational rehabilitation. Unless the employee demonstrates cause,
28 benefits shall terminate at the end of the first month in which a disabled employee

29 (1) fails to report to the division of vocational rehabilitation;

30 (2) is certified by the division of vocational rehabilitation as failing to
31 cooperate in a vocational rehabilitation program;

1 (3) fails to interview for a job; or

2 (4) fails to accept a position offered.

3 * **Sec. 18.** AS 39.35.535(c) is amended to read:

4 (c) A benefit recipient may elect major medical insurance coverage in
5 accordance with regulations and under the following conditions:

6 (1) a person, **or the surviving spouse of a person, who becomes a**
7 **member before July 1, 2006**, other than a disabled member or a disabled member
8 who is appointed to normal retirement, must pay an amount equal to the full monthly
9 group premium for retiree major medical insurance coverage if the person is

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

11 (i) 25 years of credited service as a peace officer under

12 AS 39.35.360 and 39.35.370; or

13 (ii) 30 years of credited service under AS 39.35.360 and

14 39.35.370 that is not service as a peace officer; or

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

16 (2) a person, **or the surviving spouse of a person, who becomes a**
17 **member before July 1, 2006**, is not required to make premium payments for retiree
18 major medical coverage if the person

19 (A) is a disabled member;

20 (B) is a disabled member who is appointed to normal
21 retirement;

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

24 (D) has at least

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

27 (ii) 30 years of credited service under AS 39.35.360 and
28 39.35.370 not as a peace officer;

29 **(3) a benefit recipient who first becomes a member after June 30,**
30 **2006, or a benefit recipient who is the surviving spouse of a person who first**
31 **becomes a member after June 30, 2006, except as provided in (4) and (5) of this**

1 subsection, shall pay an amount equal to the full monthly group premium for
 2 retiree major medical insurance coverage; however, except as provided in (4) and
 3 (5) of this subsection, if the benefit recipient is eligible for Medicare, the cost of a
 4 monthly premium is a percentage of the full monthly group premium, as follows:

5 (A) 30 percent if the member has 10 or more, but less than
 6 15, years of service;

7 (B) 25 percent if the member has 15 or more, but less than
 8 20, years of service;

9 (C) 20 percent if the member has 20 or more, but less than
 10 25, years of service;

11 (D) 15 percent if the member has 25 or more, but less than
 12 30, years of service not as a peace officer;

13 (4) except as provided in (5) of this subsection, a benefit recipient
 14 who first becomes a member after June 30, 2006, or a benefit recipient who is the
 15 surviving spouse of a person who first becomes a member after June 30, 2006,
 16 shall pay a monthly premium that is

17 (A) 15 percent of the cost of a full monthly group premium
 18 if the member has 25 or more, but less than 30, years of service as a peace
 19 officer; or

20 (B) 10 percent of the cost of a full monthly group premium
 21 if the member has 30 or more years of service;

22 (5) a benefit recipient who first becomes a member after June 30,
 23 2006, is not required to make premium payments for retiree major medical
 24 coverage if the recipient

25 (A) is a disabled member; or

26 (B) is a disabled member who is appointed to normal
 27 retirement;

28 (6) on or after July 1, 2018, and every five years thereafter, the
 29 administrator shall adjust the percentages under (3) and (4) of this subsection as
 30 needed to maintain, but not to exceed, over the succeeding five years, an
 31 employer normal cost rate for the members and survivors who first became

1 members after June 30, 2006, that does not exceed the combined total of the rates
 2 under AS 39.35.750(a), (b), (d), and (e) minus the employer normal cost rate
 3 attributable to the members who first became members after June 30, 2006, for
 4 benefits under AS 39.35.095 - 39.35.530; an adjustment made under this
 5 paragraph shall remain in effect for five years; in making an adjustment under
 6 this paragraph, the administrator shall maintain the five percent differences
 7 between (3)(A), (B), (C), and (D) of this subsection and the five percent
 8 differences between (4)(A) and (B) of this subsection;

9 (7) when a member is appointed to retirement, the member
 10 obtains a vested right to the applicable percentage under (3) or (4) of this
 11 subsection, as adjusted under (6) of this subsection, that is in effect when the
 12 member is appointed to retirement; a member does not obtain a vested right to a
 13 percentage under (3) or (4) of this subsection, as adjusted under (6) of this
 14 subsection, before appointment to retirement.

15 * **Sec. 19.** AS 39.35.620(k) is amended to read:

16 (k) Termination of an employer's participation in the plan does not bar future
 17 participation in the system by that employer if the employer is current with payments
 18 on amounts due under AS 39.35.625. [IF A PREVIOUSLY TERMINATED
 19 EMPLOYER RETURNS TO THE SYSTEM, THE EMPLOYER MAY ONLY
 20 PARTICIPATE IN THE PLAN ESTABLISHED UNDER AS 39.35.700 - 39.35.990.
 21 EMPLOYEES MAY BE CREDITED UNDER AS 39.35.700 - 39.35.990 ONLY
 22 WITH SERVICE SUBSEQUENT TO THE DATE OF RETURN.]

23 * **Sec. 20.** AS 39.35.680(18) is amended to read:

24 (18) "employer" means

25 (A) the State of Alaska;

26 (B) a political subdivision or public organization of the state
 27 that participates in the plan based on a resolution to participate in the plan that
 28 was approved by the administrator [ON OR BEFORE JULY 1, 2006]; or

29 (C) a political subdivision or public organization of the state
 30 that, as a result of consolidation or reorganization [THAT OCCURS ON OR
 31 AFTER JULY 1, 2006], assumes liability under the plan of a political

1 subdivision or public organization described in (B) of this paragraph;

2 * **Sec. 21.** AS 39.35.700 is amended to read:

3 **Sec. 39.35.700. Applicability of AS 39.35.700 - 39.35.990.** The provisions of
4 AS 39.35.700 - 39.35.990 apply only to

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

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

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

15 * **Sec. 22.** AS 39.35.700 is amended by adding a new subsection to read:

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

19 * **Sec. 23.** AS 39.35.720 is repealed and reenacted to read:

20 **Sec. 39.35.720. Retirement plan election option.** (a) A public employee who
21 is first hired on or after the effective date of this section may make a one-time election
22 to participate in the defined contribution retirement plan under AS 39.35.700 -
23 39.35.990 retroactive to the date of hire and may transfer to that plan employee
24 contributions, if any, and employer contributions, if any, that have been made to the
25 defined benefit retirement plan under AS 39.35.095 - 39.35.680. Before employer
26 contributions are transferred under this subsection, the administrator shall recalculate
27 them under AS 39.35.255.

28 (b) The election to participate in the defined contribution retirement plan
29 under (a) of this section must be made within 90 days after the date of hire, and be
30 made in writing on a form and in the manner prescribed by the administrator. Before
31 accepting an election to participate in the defined contribution retirement plan under

1 AS 39.35.700 - 39.35.990, the administrator shall, within 20 days after the
2 administrator receives notice of the public employee's date of hire, provide the
3 employee eligible to make an election to participate in the defined contribution
4 retirement plan with

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

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

10 (c) An election made under (a) of this section to participate in the defined
11 contribution retirement plan is irrevocable. Retroactive to the date of hire, the
12 employee shall be enrolled as a member of the defined contribution retirement plan
13 under AS 39.35.700 - 39.35.990, the member's participation in the plan shall be
14 governed by the provisions for the defined contribution retirement plan, and the
15 member's participation in the defined benefit retirement plan under AS 39.35.095 -
16 39.35.680 shall terminate. An election made by an eligible member who is married is
17 not effective unless the election is signed by the member's spouse.

18 (d) When a member makes an election under (a) of this section, the
19 administrator shall cause the total amount of the member's employee and employer
20 contributions, with investment earnings and losses through the final day of the
21 member's participation in the defined benefit retirement plan, to be actuarially
22 calculated and transferred to the member's designated account in the defined
23 contribution retirement plan. The administrator shall establish transfer procedures by
24 regulation, but the actual transfer may not be later than 30 days after the date the
25 administrator receives the member's completed election form under (b) of this section,
26 unless the major financial markets for securities available for a transfer are seriously
27 disrupted by an unforeseen event that also causes the suspension of trading on any
28 national securities exchange in the country where the securities were issued. In that
29 event, the 30-day period of time may be extended by a resolution of the board.
30 Transfers are not commissionable or subject to other fees and may be in the form of
31 securities or cash as determined by the board. Securities shall be valued on the date of

1 receipt in the member's account.

2 (e) An election made by an eligible member who is married is not effective
3 unless the election is signed by the individual's spouse. An eligible member whose
4 accounts are subject to a qualified domestic relations order may not make an election
5 to participate in the defined contribution retirement plan under this section unless the
6 qualified domestic relations order is amended or vacated and court-certified copies of
7 the order are received by the administrator.

8 * **Sec. 24.** AS 14.25.012(c), 14.25.540; AS 39.35.940, and 39.35.957(b) are repealed.

9 * **Sec. 25.** The uncodified law of the State of Alaska is amended by adding a new section to
10 read:

11 **RETIREMENT PLAN ELECTION CHOICE.** (a) A teacher who was first hired after
12 June 30, 2006, and before the effective date of this section and who is a member of the
13 defined contribution plan of the teachers' retirement system under AS 14.25.310 - 14.25.590
14 may make a one-time election, within 90 days after the effective date of this section, to
15 participate in the defined benefit retirement plan under AS 14.25.009 - 14.25.220 and to
16 transfer all contributions, including employer contributions, that have been made or should be
17 made to the defined contribution retirement plan for service the member completes before the
18 effective date of the member's participation in the defined benefit retirement plan.

19 (b) A public employee who was first hired after June 30, 2006, and before the
20 effective date of this section and who is a member of the defined contribution plan of the
21 public employees' retirement system under AS 39.35.700 - 39.35.990 may make a one-time
22 election, within 90 days after the effective date of this section, to participate in the defined
23 benefit retirement plan under AS 39.35.095 - 39.35.680 and to transfer all contributions,
24 including employer contributions, that have been made or should be made to the defined
25 contribution retirement plan for any service the member completes before the effective date of
26 the member's participation in the defined benefit retirement plan.

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

29 **RETIREMENT PLAN ELECTION PROCEDURE; REGULATIONS REQUIRED.**

30 (a) The election to participate in the defined benefit retirement plan under sec. 25 of this Act
31 must be made in writing on forms and in the manner prescribed by the administrator. Before

1 accepting an election to participate in the defined benefit retirement plan, the administrator
2 shall provide the employee planning on making an election to participate in the defined
3 benefit retirement plan with information, including calculations to illustrate the effect of
4 moving the employee's retirement plan from the defined contribution retirement plan to the
5 defined benefit retirement plan as well as other information clearly to inform the employee of
6 the potential consequences of the employee's election.

7 (b) An election made under sec. 25 of this Act to participate in the defined benefit
8 retirement plan is irrevocable. On the effective date of the election, the participant shall be
9 enrolled as a member of the defined benefit retirement plan, the member's participation in the
10 plan shall be governed by the provisions for the defined benefit retirement plan, and the
11 member's participation in the defined contribution retirement plan shall terminate. The
12 participant's enrollment in the defined benefit retirement plan shall be effective retroactive to
13 the date of hire. An election made by an eligible member who is married is not effective
14 unless the election is signed by the individual's spouse.

15 (c) When a member makes a one-time election under sec. 25 of this Act, the
16 administrator shall cause the total amount of the member's employee and employer
17 contributions, with investment earnings and losses through the final day of the member's
18 participation in the defined contribution retirement plan, to be actuarially calculated and,
19 subject to (d) of this section, transferred to the pension fund in the defined benefit retirement
20 plan. On the effective date of the member's participation in the defined benefit retirement
21 plan, the member shall be credited with service in the defined benefit retirement plan that is
22 equal to the member's service in years, including fractional years, recognized for computing
23 benefits that may be due from the defined contribution retirement plan. The board shall
24 establish transfer procedures by regulation, but the actual transfer may not be later than 30
25 days after the date the administrator receives the member's completed election forms under (a)
26 of this section, unless the major financial markets for securities available for a transfer are
27 seriously disrupted by an unforeseen event that also causes the suspension of trading on any
28 national securities exchange in the country where the securities were issued. In that event, the
29 30-day period of time may be extended by a resolution of the board. Transfers are not
30 commissionable or subject to other fees and may be in the form of securities or cash as
31 determined by the board. Securities shall be valued on the date of receipt in the participant's

1 account.

2 (d) If the value actuarially calculated under (c) of this section is insufficient to pay for
 3 a service credit equal to the participant's actual service, the administrator shall allow the
 4 participant to create an indebtedness up to the amount needed to eliminate the insufficiency;
 5 however, if that value exceeds the amount needed to pay for a service credit equal to the
 6 participant's actual service, the administrator shall cause the excess to be paid to the
 7 participant as a rollover transfer to either an individual employee annuity account in the
 8 Department of Administration under the terms of AS 39.30.150 - 39.30.180 (Alaska
 9 Supplemental Annuity Plan) or, if the participant's employer does not participate in the Alaska
 10 Supplemental Annuity Plan, to an eligible retirement plan under AS 14.25.360(d) or
 11 AS 39.35.760(d). An excess under this subsection may not be used to purchase service credit
 12 in a retirement plan administered under AS 14.25 or AS 39.25.

13 (e) The provisions of this section are subject to the requirements of the Internal
 14 Revenue Code and the limitations under AS 14.25.010, 14.25.320(c) and (d), 14.25.490,
 15 AS 39.35.115, 39.35.678, 39.35.710(c) and (d), and 39.35.895.

16 (f) In this section,

17 (1) "administrator" means the commissioner of administration or the person
 18 designated by the commissioner of administration under AS 39.35.003 for a public
 19 employees' retirement plan and under AS 14.25.003 for a teachers' retirement plan;

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

22 (3) "defined benefit retirement plan" means the retirement plan established
 23 under

24 (A) AS 14.25.009 - 14.25.220 for a teacher; or

25 (B) AS 39.35.095 - 39.35.680 for a public employee;

26 (4) "defined contribution retirement plan" means the retirement plan
 27 established under

28 (A) AS 14.25.310 - 14.25.590 for a teacher; or

29 (B) AS 39.35.700 - 39.35.990 for a public employee;

30 (5) "Internal Revenue Code" the meaning given in AS 39.35.990.

31 * **Sec. 27.** The uncodified law of the State of Alaska is amended by adding a new section to

1 read:

2 ADOPTION OF REGULATIONS. The commissioner of administration shall adopt
3 regulations necessary to implement the changes made by this Act. The regulations take effect
4 under AS 44.62 (Administrative Procedure Act), but not before the effective date of the law
5 implemented by the regulation.

6 * **Sec. 28.** Sections 26 and 27 of this Act take effect immediately under AS 01.10.070(c).

7 * **Sec. 29.** Except as provided in sec. 28 of this Act, this Act takes effect July 1, 2013.