

HOUSE BILL NO. 395

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTIETH LEGISLATURE - SECOND SESSION

BY REPRESENTATIVE MILLETT

Introduced: 2/21/18

Referred:

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to participation of certain peace officers and firefighters in the defined**
2 **benefit and defined contribution plans of the Public Employees' Retirement System of**
3 **Alaska; relating to eligibility of peace officers and firefighters for medical benefits; and**
4 **providing for an effective date."**

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

6 * **Section 1.** AS 37.10.220(a) is amended to read:

7 (a) The board shall

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

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

13 (3) determine the appropriate investment objectives for the defined
14 benefit plans established under the teachers' retirement system under AS 14.25 and the

1 public employees' retirement system under AS 39.35;

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

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

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

10 (B) AS 39.30.150 - 39.30.180 (State of Alaska Supplementary
11 Annuity Plan);

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

14 (D) AS 39.45.010 - 39.45.060 (public employees' deferred
15 compensation program);

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

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

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

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

28 (B) an appropriate contribution rate for liquidating any past
29 service liability; in this subparagraph, the appropriate contribution rate for
30 liquidating the past service liability of the defined benefit retirement plan under
31 AS 14.25.009 - 14.25.220 or the past service liability of the defined benefit

1 retirement plan under AS 39.35.095 - 39.35.680 must be determined by a level
2 percent of pay method based on amortization of the past service liability for a
3 closed term of 25 years;

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

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

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

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

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

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

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

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

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

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

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

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

30 (14) submit quarterly updates of the investment performance reports to
31 the Legislative Budget and Audit Committee;

- 1 (15) develop an annual operating budget; [AND]
 2 (16) administer pension forfeitures required under AS 37.10.310 using
 3 the procedures of AS 44.62 (Administrative Procedure Act); **and**
 4 **(17) determine the amount of the monthly employer contribution**
 5 **under AS 39.35.257.**

6 * **Sec. 2.** AS 37.10.220(b) is amended to read:

- 7 (b) The board may
 8 (1) employ outside investment advisors to review investment policies;
 9 (2) enter into an agreement with the fiduciary of another state fund in
 10 order to assume the management and investment of those assets;
 11 (3) contract for other services necessary to execute the board's powers
 12 and duties;
 13 (4) enter into confidentiality agreements that would exempt records
 14 from AS 40.25.110 and 40.25.120 if the records contain information that could affect
 15 the value of investment by the board or that could impair the ability of the board to
 16 acquire, maintain, or dispose of investments;
 17 **(5) adjust the amount of the increase in benefits payable to a peace**
 18 **officer or firefighter who first becomes a member after June 30, 2006, as**
 19 **provided under AS 39.35.475;**
 20 **(6) adjust employee contribution rates under AS 39.35.160(e).**

21 * **Sec. 3.** AS 37.10.390 is amended by adding a new paragraph to read:

- 22 (5) "peace officer" or "firefighter" has the meaning given in
 23 AS 39.35.680.

24 * **Sec. 4.** AS 39.30.090(a) is amended to read:

- 25 (a) The Department of Administration may obtain a policy or policies of group
 26 insurance covering state employees, persons entitled to coverage under AS 14.25.168,
 27 14.25.480, AS 22.25.090, AS 39.35.535, **39.35.537,** 39.35.880, or former
 28 AS 39.37.145, employees of other participating governmental units, or persons
 29 entitled to coverage under AS 23.15.136, subject to the following conditions:
 30 (1) a group insurance policy shall provide one or more of the following
 31 benefits: life insurance, accidental death and dismemberment insurance, weekly

1 indemnity insurance, hospital expense insurance, surgical expense insurance, dental
2 expense insurance, audiovisual insurance, or other medical care insurance;

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

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

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

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

13 (C) the commissioner of administration approves the
14 participation in writing;

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

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

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

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

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

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

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

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

30 (11) a person receiving benefits under AS 14.25, AS 22.25, AS 39.35,
31 or former AS 39.37 may obtain long-term care insurance for that person and eligible

dependents under this section; a person who elects insurance under this paragraph shall pay the cost of the insurance premium; the commissioner of administration shall adopt regulations to implement this paragraph;

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

* **Sec. 5.** AS 39.30.097(a) is amended to read:

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

* **Sec. 6.** AS 39.30.300 is amended to read:

Sec. 39.30.300. State of Alaska Teachers' and Public Employees' Retiree Health Reimbursement Arrangement Plan established. The State of Alaska Teachers' and Public Employees' Retiree Health Reimbursement Arrangement Plan is established for teachers who first become members of the defined contribution plan of the teachers' retirement system under AS 14.25.310 - 14.25.590 on or after July 1, 2006, and employees of the state, political subdivisions of the state, and public organizations of the state who first become members [OF THE DEFINED CONTRIBUTION PLAN] of the Public Employees' Retirement System of Alaska (AS 39.35) [PUBLIC EMPLOYEES' RETIREMENT SYSTEM UNDER AS 39.35.700 - 39.35.990] on or after July 1, 2006.

* **Sec. 7.** AS 39.30.380 is amended to read:

Sec. 39.30.380. Termination of employment. A person who terminates employment before meeting the eligibility requirements of AS 14.25.470, AS 39.35.537, or 39.35.870 [OR AS 39.35.870] loses any right to the contributions made on behalf of the person to the teachers' and public employees' retiree health reimbursement arrangement trust fund. If a person returns to employment with a participating employer by December 31 of the year in which the person reaches 65

years of age, the person's account balance shall be restored in the amount recorded on the date of termination from the trust, adjusted for inflation at the rate of the Consumer Price Index for Anchorage, Alaska. The earlier period of employment with a participating employer shall be credited toward eligibility for medical benefits.

* **Sec. 8.** AS 39.30.390 is amended to read:

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

* **Sec. 9.** AS 39.30.400(a) is amended to read:

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

* **Sec. 10.** AS 39.30.495(5) is amended to read:

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

* **Sec. 11.** AS 39.35.095 is amended to read:

Sec. 39.35.095. Applicability of AS 39.35.095 - 39.35.680. The following provisions of this chapter apply only to members first hired before July 1, 2006, and, regardless of the date of hire, members who are peace officers or firefighters: AS 39.35.095 - 39.35.680.

* **Sec. 12.** AS 39.35.160(a) is amended to read:

(a) Subject to (e) of this section, beginning [BEGINNING] January 1, 1987, each peace officer or firefighter shall contribute to the plan an amount equal to seven and one-half percent of the peace officer's or firefighter's compensation. Except as provided in (d) and (e) of this section, beginning January 1, 1987, each other employee shall contribute to the plan an amount equal to six and three-quarters percent

of the employee's compensation. [THE CONTRIBUTIONS SHALL BE DEDUCTED BY THE EMPLOYER AT THE END OF EACH PAYROLL PERIOD. THE CONTRIBUTIONS SHALL BE DEDUCTED FROM EMPLOYEE COMPENSATION BEFORE COMPUTATION OF APPLICABLE FEDERAL TAXES, AND THE CONTRIBUTIONS SHALL BE TREATED AS EMPLOYER CONTRIBUTIONS UNDER 26 U.S.C. 414(h)(2). A MEMBER MAY NOT HAVE THE OPTION OF MAKING THE PAYROLL DEDUCTION DIRECTLY INSTEAD OF HAVING THE CONTRIBUTION PICKED UP BY THE EMPLOYER.]

* **Sec. 13.** AS 39.35.160 is amended by adding new subsections to read:

(e) Except as provided in (a) of this section, a peace officer or firefighter who first participates in the plan after June 30, 2006, shall contribute to the plan an amount equal to eight percent of the employee's compensation. The board may, from time to time, adjust the employee contribution under this subsection to an amount that is

(1) not less than eight percent of the employee's compensation; and

(2) not more than 10 percent of the employee's compensation.

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

* **Sec. 14.** AS 39.35.255 is amended by adding a new subsection to read:

(i) The requirements of this section are in addition to the requirements under AS 39.35.257.

* **Sec. 15.** AS 39.35 is amended by adding a new section to read:

Sec. 39.35.257. Employer contributions for peace officers and firefighters.

An employer that employs a peace officer or firefighter who first participates in the plan after June 30, 2006, shall contribute monthly to the plan a per capita amount, determined by the board, that is equal to

(1) not less than 12 percent of the total monthly compensation that the employer pays to all peace officers and firefighters combined;

(2) not more than 22 percent of the total monthly compensation that the employer pays to all peace officers and firefighters combined.

* **Sec. 16.** AS 39.35.282 is amended to read:

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

* **Sec. 17.** AS 39.35.340(i) is amended to read:

(i) Notwithstanding (d) of this section, a member who retires as a peace officer or firefighter may elect to use five or fewer years of credited service granted under this section in computing years of credited service under AS 39.35.535(c) or 39.35.537. When eligibility for credited service for military service has been established and an election under this subsection has been made, an indebtedness in addition to the indebtedness determined under (b) of this section shall be determined for each year of military service used under this subsection, in an amount based on the increase, if any, in the present value of future benefits for that year as determined by the department.

* **Sec. 18.** AS 39.35.370(a) is amended to read:

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

- (1) at age 60 with at least five years of credited service;
- (2) with at least 20 years of credited service as a peace officer or firefighter; or
- (3) with at least 30 years of credited service for all other employees.

* **Sec. 19.** AS 39.35.370 is amended by adding a new subsection to read:

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

- (1) at age 60 with at least five years of credited service as a peace

1 officer or firefighter; or

2 (2) at age 55 with at least 20 years of credited service as a peace
3 officer or firefighter.

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

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

9 * **Sec. 21.** AS 39.35.475(a) is amended to read:

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

15 * **Sec. 22.** AS 39.35.475(b) is amended to read:

16 (b) **Subject to (h) of this section, the** [THE] increase in benefit payments
17 applies to total benefit payments except for the cost-of-living allowance under
18 AS 39.35.480. The amount of the increase is a percentage of the current benefit equal
19 to

20 (1) the lesser of 75 percent of the increase in the cost of living in the
21 preceding calendar year or nine percent, for recipients who on July 1 are at least 65
22 years old and for members receiving disability benefits; and

23 (2) the lesser of 50 percent of the increase in the cost of living in the
24 preceding calendar year or six percent, for recipients who on July 1 are at least 60 but
25 less than 65 years old or for recipients who are less than 60 years old on July 1 but
26 who have received benefits from the plan for at least five years.

27 * **Sec. 23.** AS 39.35.475 is amended by adding new subsections to read:

28 (g) A person who receives a benefit under AS 39.35.370(l) is not eligible to
29 receive an increase in benefits under this section.

30 (h) If the board determines that the plan has an unfunded liability greater than
31 10 percent, the board may reduce the amount of the increase under (b) of this section

1 that is payable to a protective occupation employee who first becomes a member after
 2 June 30, 2006. At any time, the board may terminate a reduction made under this
 3 subsection.

4 * **Sec. 24.** AS 39.35.535(a) is amended to read:

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

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

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

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

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

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

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

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

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

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

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

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

28 * **Sec. 25.** AS 39.35.535(c) is amended to read:

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

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

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

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

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

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

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

(A) is a disabled member;

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

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

(D) has at least

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

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

* **Sec. 26.** AS 39.35.535 is amended by adding a new subsection to read:

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

* **Sec. 27.** AS 39.35 is amended by adding a new section to read:

Sec. 39.35.537. Medical benefit; eligibility of peace officers or firefighters first hired after June 30, 2006; surviving spouses and dependents. (a) A member who is a peace officer or firefighter hired after June 30, 2006, is entitled to medical benefits under this section. A member who applies for medical benefits under this

1 section shall apply on the forms and in the manner prescribed by the administrator.

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

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

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

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

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

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

21 (h) A person who is eligible for medical benefits under this section must make
22 the irrevocable election to participate or not participate in the retiree major medical
23 insurance plan by reaching 70 1/2 years of age, or upon application for retirement and
24 medical benefits, whichever is later.

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

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

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

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

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

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

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

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

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

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

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

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

(n) A person who is entitled to retiree major medical insurance coverage under this section shall

(1) be informed by the administrator in writing

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

(B) of time limits for selecting optional health insurance

1 coverage and whether the election is irrevocable; and

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

5 (o) The monthly group premiums for retiree major medical insurance coverage
6 under this section are established by the administrator in accordance with
7 AS 39.30.095. Nothing in this chapter guarantees a person who elects coverage under
8 (a) of this section a monthly group premium rate for retiree major medical insurance
9 coverage other than the premium in effect for the month in which the premium is due
10 for coverage for that month.

11 (p) In this section, "health reimbursement arrangement plan" means the plan
12 established in AS 39.30.300.

13 * **Sec. 28.** AS 39.35.680(4) is amended to read:

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

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

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

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

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

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

(F) for a peace officer or firefighter hired after June 30,
2006, the five consecutive payroll years during the period of credited
service that yield the highest average;

* **Sec. 29.** AS 39.35.680(18) is amended to read:

(18) "employer" means

(A) the State of Alaska;

(B) a political subdivision or public organization of the state
that participates in the plan based on a resolution to participate in the plan that
was approved by the administrator

(i) on or before July 1, 2006; or

(ii) for peace officers and firefighters; or

(C) a political subdivision or public organization of the state
that assumes liability for participation in the plan by another political
subdivision or public organization of the state [,] as a result of consolidation
or reorganization that occurs

(i) at any time, with respect to peace officers or
firefighters;

(ii) on or after July 1, 2006, with respect to employees
who are not peace officers or firefighters [ASSUMES LIABILITY
UNDER THE PLAN OF A POLITICAL SUBDIVISION OR PUBLIC
ORGANIZATION DESCRIBED IN (B) OF THIS PARAGRAPH];

* **Sec. 30.** AS 39.35.680(26) is amended to read:

(26) "normal retirement" means retirement for a member who is
eligible to receive benefits under AS 39.35.370(a) or (l) or under 39.35.385(a) or (f);

* **Sec. 31.** AS 39.35.720 is amended to read:

Sec. 39.35.720. Membership. Except as provided in AS 39.35.095, an [AN]
employee who becomes a member on or after July 1, 2006, shall participate in the plan
set out in AS 39.35.700 - 39.35.990.

1 * **Sec. 32.** AS 39.35.750 is amended by adding a new subsection to read:

2 (f) This section does not apply to contributions made under AS 39.35.257 and
3 does not require an employer who makes a contribution for an employee under
4 AS 39.35.257 to make another contribution for that employee.

5 * **Sec. 33.** The uncodified law of the State of Alaska is amended by adding a new section to
6 read:

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

18 (b) In this section, "peace officer" or "firefighter" has the meaning given in
19 AS 39.35.680.

20 * **Sec. 34.** The uncodified law of the State of Alaska is amended by adding a new section to
21 read:

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

23 (a) An election made under sec. 33 of this Act to participate in the defined benefit retirement
24 plan under AS 39.35.095 - 39.35.680 must be made in writing on one or more forms and in
25 the manner prescribed by the administrator. Before accepting an election to participate in the
26 defined benefit retirement plan, the administrator shall provide the employee who plans on
27 making an election to participate in the defined benefit retirement plan with information,
28 including calculations to illustrate the effect of moving the employee's retirement plan from
29 the defined contribution retirement plan to the defined benefit retirement plan as well as other
30 information that informs the employee of potential consequences of the employee's election.

31 (b) An election made under sec. 33 of this Act to participate in the 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 the defined benefit retirement plan, and
3 the 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. 33 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 the defined benefit retirement plan, to be actuarially calculated
11 and, subject to (d) of this section, transferred to the pension fund in the defined benefit
12 retirement plan. On the effective date of the employee's participation in the defined benefit
13 retirement plan, the employee shall be credited with service in the defined benefit retirement
14 plan that may be purchased under an actuarial equivalent purchase formula as determined by
15 the board. The board shall establish transfer procedures by regulation, but the actual transfer
16 may not occur later than 30 days after the date the administrator receives the employee's
17 completed forms under (a) of this section, unless the major financial markets for securities
18 available for a transfer are seriously disrupted by an unforeseen event that also causes the
19 suspension of trading on any national securities exchange in the country where the securities
20 were issued. In that event, the 30-day period may be extended by a resolution of the board. A
21 transfer is not commissionable or subject to other fees and may be in the form of cash or a
22 security as determined by the board. A security shall be valued on the date of receipt in the
23 employee's account.

24 (d) If the value actuarially calculated under (c) of this section is insufficient to pay for
25 service credit equal to the employee's actual service, the administrator shall allow the
26 employee the option of creating an indebtedness up to the amount needed to eliminate the
27 insufficiency; however, if that value exceeds the amount needed to pay for a service credit
28 equal to the employee's actual service, the administrator shall cause the excess to remain in
29 the employee's retirement plan established under AS 39.35.700 - 39.35.990. An excess under
30 this subsection may not be used to purchase service credit in a retirement plan administered
31 under AS 39.35.

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

(f) In this section,

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

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

(3) "defined benefit retirement plan" means the retirement plan established under AS 39.35.095 - 39.35.680 for a public employee;

(4) "defined contribution retirement plan" means the retirement plan established under AS 39.35.700 - 39.35.990 for a public employee;

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

* **Sec. 35.** The uncodified law of the State of Alaska is amended by adding a new section to read:

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

* **Sec. 36.** Section 35 of this Act takes effect immediately under AS 01.10.070(c).

* **Sec. 37.** Except as provided in sec. 36 of this Act, this Act takes effect July 1, 2018.