

CS FOR HOUSE BILL NO. 83(STA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTIETH LEGISLATURE - SECOND SESSION

BY THE HOUSE STATE AFFAIRS COMMITTEE

Offered: 4/6/18

Referred: Finance

Sponsor(s): REPRESENTATIVES KITO, Tarr, Tuck, Parish, LeDoux, Kawasaki

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 14.20.165 is amended to read:

8 **Sec. 14.20.165. Restoration of tenure rights.** A teacher who held tenure
9 rights and who was retired due to disability under AS 14.25.130, but whose disability
10 (1) has been removed, and the removal of that disability is certified by a competent
11 physician following a physical or mental examination, or (2) has been compensated
12 for by rehabilitation or other appropriate restorative education or training, and that
13 rehabilitation or restoration to health has been certified by the commissioner of

1 **administration** [DIVISION OF VOCATIONAL REHABILITATION OF THE
 2 DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT], shall be
 3 restored to full tenure rights in the district from which the teacher was retired, at such
 4 time as an opening for which the teacher is qualified becomes available.

5 * **Sec. 2.** AS 14.25.009 is repealed and reenacted to read:

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

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

12 * **Sec. 3.** AS 14.25.040(a) is amended to read:

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

18 * **Sec. 4.** AS 14.25.050(a) is amended to read:

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

1 * **Sec. 5.** AS 14.25.050 is amended by adding new subsections to read:

2 (e) Except as provided in (a) and (c) of this section, a member who first
3 participates in the plan after June 30, 2006, shall contribute to the plan an amount
4 equal to eight percent of the employee's base salary accrued from July 1 to the
5 following June 30.

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

13 * **Sec. 6.** AS 14.25.130(c) is repealed and reenacted to read:

14 (c) A disabled member receiving a benefit under this section shall undergo a
15 medical examination as often as the administrator considers advisable, but not more
16 frequently than once each year. The administrator shall determine the place of the
17 examination and engage the physician or physicians. If the administrator determines
18 that the examination indicates that the disabled member is no longer incapacitated
19 because of a total and apparently permanent occupational disability, the administrator
20 may not issue further disability benefits to the disabled member.

21 * **Sec. 7.** AS 14.25.130 is amended by adding a new subsection to read:

22 (g) A person who first becomes a member after June 30, 2006, and who is
23 appointed to disability benefits shall, within 30 days after the date disability benefits
24 commence, provide the administrator with proof that the member has applied for
25 enrollment in a vocational rehabilitation program approved by the administrator.
26 Unless the member demonstrates cause, the benefits terminate at the end of the first
27 month in which the member

28 (1) fails to provide the administrator with the required proof of
29 application for enrollment;

30 (2) is certified by the administrator as failing to enroll in or cooperate
31 with a vocational rehabilitation program approved under this subsection;

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

2 (4) fails to accept a job offered.

3 * **Sec. 8.** AS 14.25.168(d) is amended to read:

4 (d) A benefit recipient **who first became a member before July 1, 2006, or**
 5 **the benefit recipient's surviving spouse** may elect major medical insurance coverage
 6 in accordance with regulations and under the following conditions:

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

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

13 * **Sec. 9.** AS 14.25.168 is amended by adding new subsections to read:

14 (g) A benefit recipient, or the surviving spouse of a benefit recipient, who first
 15 becomes a member after June 30, 2006, may elect major medical insurance coverage
 16 that was in effect before July 1, 2006, in accordance with regulations and under the
 17 following conditions:

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

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

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

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

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

31 (3) the cost of a monthly premium paid by the member or the

1 member's surviving spouse for retiree major medical insurance coverage is

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

4 (B) 10 percent of the full monthly group premium if the
5 participating member has 30 or more years of service;

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

8 (h) On or after July 1, 2024, and every five years thereafter, the administrator
9 shall adjust the percentages under (g)(2) and (3) of this section as needed to maintain,
10 but not to exceed, over the succeeding five years, an employer normal cost rate for the
11 members and survivors who first become members after June 30, 2006, that does not
12 exceed the combined total of the rates under AS 14.25.350(a), (b), (d), and (e) minus
13 the employer normal cost rate attributable to the members who first become members
14 after June 30, 2006, for benefits under AS 14.25.009 - 14.25.167. An adjustment made
15 under this subsection shall remain in effect for five years. In making an adjustment
16 under this subsection, the administrator shall maintain the five percent differences
17 between the percentages in (g)(2)(A), (B), and (C) of this section and the five percent
18 differences between the percentages in (g)(3)(A) and (B) of this section.

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

25 * **Sec. 10.** AS 14.25.310 is amended to read:

26 **Sec. 14.25.310. Applicability of AS 14.25.310 - 14.25.590.** The provisions of
27 AS 14.25.310 - 14.25.590 apply only to

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

31 **(2) teachers described in AS 14.25.330 who elect under that section**

1 **to become** [TO MEMBERS WHO ARE EMPLOYED BY EMPLOYERS THAT DO
 2 NOT PARTICIPATE IN THE DEFINED BENEFIT RETIREMENT PLAN
 3 ESTABLISHED UNDER AS 14.25.009 - 14.25.220, TO FORMER MEMBERS
 4 UNDER AS 14.25.220, OR TO] members; **and**

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

7 * **Sec. 11.** AS 14.25.310 is amended by adding a new subsection to read:

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

10 * **Sec. 12.** AS 14.25.330 is repealed and reenacted to read:

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

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

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

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

31 (c) An election made under (a) of this section to participate in the defined

1 contribution retirement plan is irrevocable. Retroactive to the date of hire, the teacher
 2 shall be enrolled in the defined contribution retirement plan under AS 14.25.310 -
 3 14.25.590, the teacher's participation in the plan shall be governed by the provisions
 4 for the defined contribution retirement plan, and the teacher's participation in the
 5 defined benefit retirement plan under AS 14.25.009 - 14.25.220 shall terminate.

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

21 (e) An eligible teacher whose accounts are subject to a qualified domestic
 22 relations order may not make an election to participate in the defined contribution
 23 retirement plan under this section unless the qualified domestic relations order is
 24 amended or vacated and court-certified copies of the order are received by the
 25 administrator.

26 * **Sec. 13.** AS 14.25.485(h) is repealed and reenacted to read:

27 (h) A member who is appointed to disability benefits shall, within 30 days
 28 after the date disability benefits commence, provide the administrator with proof that
 29 the member has applied for enrollment in a vocational rehabilitation program
 30 approved by the administrator. Unless the member demonstrates cause, the benefits
 31 terminate at the end of the first month in which the member

(1) fails to provide the administrator with the required proof of application for enrollment;

(2) is certified by the administrator as failing to enroll in or cooperate with a vocational rehabilitation program approved under this subsection;

(3) fails to interview for a job; or

(4) fails to accept a job offered.

* **Sec. 14.** AS 39.35.095 is repealed and reenacted to read:

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

(b) A public organization or a municipality or other political subdivision of the state that participates in the plan shall also participate in the defined contribution retirement plan under AS 39.35.700 - 39.35.990.

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

Sec. 39.35.128. Participation of elected officials of political subdivisions. (a) Except as provided in (b) of this section, a person who is an elected official of a political subdivision of the state and who has not participated in the plan or waived participation in the plan before July 1, 2019, is a member of the plan if

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

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

(b) An elected official entitled to participate under this section, and who either has no previous service under the system with the political subdivision or is retired under the system, may file a waiver of participation in the plan with the administrator within 30 days after the later of July 1, 2019, or the date that the elected official's term of office begins. A waiver is irrevocable for the remainder of the elected official's service as an elected official or employee of the political subdivision.

1 * **Sec. 16.** AS 39.35.160(a) is amended to read:

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

15 * **Sec. 17.** AS 39.35.160 is amended by adding new subsections to read:

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

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

26 * **Sec. 18.** AS 39.35.400(e) is amended to read:

27 (e) A disabled employee receiving a nonoccupational disability benefit shall
 28 provide the administrator, **within** one year after appointment to disability benefits and
 29 once **within** each year thereafter until disability benefits **are denied or** cease, **with**
 30 proof **that the disabled employee has applied** [OF CONTINUING ELIGIBILITY] to
 31 receive disability payments under the Social Security Act. If the disabled employee is

otherwise ineligible for a social security payment, the employee shall provide the administrator with sufficient medical evidence once each year to demonstrate that disability payments under the Social Security Act would be payable had the employee been otherwise eligible. If the disabled employee fails to provide the administrator with evidence of continuing eligibility for disability payments under the Social Security Act or other medical evidence required by the administrator within 30 days following each anniversary date, the disability benefits from the plan shall cease. If that information is subsequently provided to the administrator, benefit payments will resume beginning for the month following that in which the information is provided. When disability payments under the Social Security Act cease, it is the responsibility of the disabled employee to notify the administrator immediately.

* **Sec. 19.** AS 39.35.410 is amended by adding a new subsection to read:

(k) A person who first becomes an employee after June 30, 2006, and who is appointed to disability benefits shall, within 30 days after the date disability benefits commence, provide the administrator with proof that the employee has applied for enrollment in a vocational rehabilitation program approved by administrator. Unless the employee demonstrates cause, the benefits terminate at the end of the first month in which the employee

(1) fails to provide the administrator with the required proof of application for enrollment;

(2) is certified by the administrator as failing to enroll in or cooperate with a vocational rehabilitation program approved under this subsection;

(3) fails to interview for a job; or

(4) fails to accept a job offered.

* **Sec. 20.** AS 39.35.535(c) is amended to read:

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

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

- 1 (A) younger than 60 years of age and has less than
 2 (i) 25 years of credited service as a peace officer under
 3 AS 39.35.360 and 39.35.370; or
 4 (ii) 30 years of credited service under AS 39.35.360 and
 5 39.35.370 that is not service as a peace officer; or
 6 (B) of any age and has less than 10 years of credited service;
 7 (2) a person **who first became a member before July 1, 2006, or the**
 8 **surviving spouse of the person** is not required to make premium payments for retiree
 9 major medical **insurance** coverage if the person
 10 (A) is a disabled member;
 11 (B) is a disabled member who is appointed to normal
 12 retirement;
 13 (C) is 60 years of age or older and has at least 10 years of
 14 credited service; or
 15 (D) has at least
 16 (i) 25 years of credited service as a peace officer under
 17 AS 39.35.360 and 39.35.370; or
 18 (ii) 30 years of credited service under AS 39.35.360 and
 19 39.35.370 not as a peace officer;
 20 **(3) except as provided in (4) and (5) of this subsection, a benefit**
 21 **recipient who first becomes a member after June 30, 2006, or a benefit recipient**
 22 **who is the surviving spouse of a person who first becomes a member after**
 23 **June 30, 2006, may, in accordance with regulations, elect retiree major medical**
 24 **coverage that was in effect before July 1, 2006, and pay an amount equal to the**
 25 **full monthly group premium for retiree major medical insurance coverage;**
 26 **however, except as provided in (4) and (5) of this subsection, if the benefit**
 27 **recipient is eligible for Medicare, the cost of a monthly premium is a percentage**
 28 **of the full monthly group premium, as follows:**
 29 **(A) 30 percent if the member has 10 or more, but less than**
 30 **15, years of service;**
 31 **(B) 25 percent if the member has 15 or more, but less than**

1 20, years of service;

2 (C) 20 percent if the member has 20 or more, but less than

3 25, years of service;

4 (D) 15 percent if the member has 25 or more, but less than

5 30, years of service not as a peace officer;

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

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

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

15 (5) a benefit recipient who first becomes a member after June 30,
 16 2006, is not required to make premium payments for retiree major medical
 17 coverage if the recipient

18 (A) is a disabled member; or

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

21 (6) on or after July 1, 2024, and every five years thereafter, the
 22 administrator shall adjust the percentages under (3) and (4) of this subsection as
 23 needed to maintain, but not to exceed, over the succeeding five years, an
 24 employer normal cost rate for the members and survivors who first became
 25 members after June 30, 2006, that does not exceed the combined total of the rates
 26 under AS 39.35.750(a), (b), (d), and (e) minus the employer normal cost rate
 27 attributable to the members who first become members after June 30, 2006, for
 28 benefits under AS 39.35.095 - 39.35.530; an adjustment made under this
 29 paragraph shall remain in effect for five years; in making an adjustment under
 30 this paragraph, the administrator shall maintain the five percent differences
 31 between the percentages in (3)(A), (B), (C), and (D) of this subsection and the five

percent differences between the percentages in (4)(A) and (B) of this subsection;
(7) when a member is appointed to retirement, the member
obtains a vested right to the applicable percentage under (3) or (4) of this
subsection, as adjusted under (6) of this subsection, that is in effect when the
member is appointed to retirement; a member does not obtain a vested right to a
percentage under (3) or (4) of this subsection, as adjusted under (6) of this
subsection, before appointment to retirement.

* **Sec. 21.** AS 39.35.620(k) is amended to read:

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

* **Sec. 22.** 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 [ON OR BEFORE JULY 1, 2006]; or

(C) a political subdivision or public organization of the state that, as a result of consolidation or reorganization [THAT OCCURS ON OR AFTER JULY 1, 2006], assumes liability under the plan of a political subdivision or public organization described in (B) of this paragraph;

* **Sec. 23.** AS 39.35.700 is amended to read:

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

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

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

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

8 * **Sec. 24.** AS 39.35.700 is amended by adding a new subsection to read:

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

12 * **Sec. 25.** AS 39.35.720 is repealed and reenacted to read:

13 **Sec. 39.35.720. Retirement plan election option.** (a) A public employee who
 14 is first hired on or after the effective date of this section may make a one-time election
 15 to participate in the defined contribution retirement plan under AS 39.35.700 -
 16 39.35.990 retroactive to the date of hire and may transfer to that plan employee
 17 contributions, if any, and employer contributions, if any, that have been made to the
 18 defined benefit retirement plan under AS 39.35.095 - 39.35.680. Before employer
 19 contributions are transferred under this subsection, the administrator shall recalculate
 20 them under AS 39.35.255.

21 (b) The election to participate in the defined contribution retirement plan
 22 under (a) of this section must be made within 90 days after the date of hire and be
 23 made in writing on a form and in the manner prescribed by the administrator. Before
 24 accepting an election to participate in the defined contribution retirement plan under
 25 AS 39.35.700 - 39.35.990, the administrator shall, within 20 days after the
 26 administrator receives notice of the public employee's date of hire, provide the
 27 employee eligible to make an election to participate in the defined contribution
 28 retirement plan with

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

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

3 (c) An election made under (a) of this section to participate in the defined
4 contribution retirement plan is irrevocable. Retroactive to the date of hire, the
5 employee shall be enrolled in the defined contribution retirement plan under
6 AS 39.35.700 - 39.35.990, the employee's participation in the plan shall be governed
7 by the provisions for the defined contribution retirement plan, and the employee's
8 participation in the defined benefit retirement plan under AS 39.35.095 - 39.35.680
9 shall terminate.

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

25 (e) An eligible employee whose accounts are subject to a qualified domestic
26 relations order may not make an election to participate in the defined contribution
27 retirement plan under this section unless the qualified domestic relations order is
28 amended or vacated and court-certified copies of the order are received by the
29 administrator.

30 * **Sec. 26.** AS 39.35.890(j) is repealed and reenacted to read:

31 (j) A member who is appointed to disability benefits shall, within 30 days after

1 the date disability benefits commence, provide the administrator with proof that the
 2 member has applied for enrollment in a vocational rehabilitation program approved by
 3 the administrator. Unless the member demonstrates cause, the benefits terminate at the
 4 end of the first month in which the member

5 (1) fails to provide the administrator with the required proof of
 6 application for enrollment;

7 (2) is certified by the administrator as failing to enroll in or cooperate
 8 with a vocational rehabilitation program approved under this subsection;

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

10 (4) fails to accept a job offered.

11 * **Sec. 27.** AS 14.25.012(c), 14.25.540; AS 39.35.940, and 39.35.957(b) are repealed.

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

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

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

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

1 RETIREMENT PLAN ELECTION PROCEDURE; REGULATIONS REQUIRED.

2 (a) The election to participate in the defined benefit retirement plan under sec. 28 of this Act
3 must be made in writing on forms and in the manner prescribed by the administrator. Before
4 accepting an election to participate in the defined benefit retirement plan, the administrator
5 shall provide the employee planning on making an election to participate in the defined
6 benefit retirement plan with information, including calculations to illustrate the effect of
7 moving the employee's retirement plan from the defined contribution retirement plan to the
8 defined benefit retirement plan as well as other information clearly to inform the employee of
9 the potential consequences of the employee's election.

10 (b) An election made under sec. 28 of this Act to participate in the defined benefit
11 retirement plan is irrevocable. On the effective date of the election, an eligible employee who
12 makes the election shall be enrolled as a member of the defined benefit retirement plan, the
13 employee's participation in the plan shall be governed by the provisions for the defined
14 benefit retirement plan, and the employee's participation in the defined contribution retirement
15 plan shall terminate. The employee's enrollment in the defined benefit retirement plan shall be
16 effective retroactive to the date of hire. An election made by an eligible employee who is
17 married is not effective unless the election is signed by the employee's spouse.

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

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

5 (d) If the value actuarially calculated under (c) of this section is insufficient to pay for
 6 a service credit equal to the employee's actual service, the administrator shall allow the
 7 employee to create an indebtedness up to the amount needed to eliminate the insufficiency;
 8 however, if that value exceeds the amount needed to pay for a service credit equal to the
 9 employee's actual service, the administrator shall cause the excess to be paid to the employee
 10 as a rollover transfer to either an individual employee annuity account in the Department of
 11 Administration under the terms of AS 39.30.150 - 39.30.180 (State of Alaska Supplemental
 12 Annuity Plan) or, if the employee's employer does not participate in the State of Alaska
 13 Supplemental Annuity Plan, to an eligible retirement plan as defined in AS 14.25.360(d) or
 14 AS 39.35.760(d). An excess under this subsection may not be used to purchase service credit
 15 in a retirement plan administered under AS 14.25 or AS 39.35.

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

19 (f) In this section,

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

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

25 (3) "defined benefit retirement plan" means the retirement plan established
 26 under

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

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

29 (4) "defined contribution retirement plan" means the retirement plan
 30 established under

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

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

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

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

5 ADOPTION OF REGULATIONS. The commissioner of administration shall adopt
6 regulations under AS 39.35.005 and AS 14.25.005 necessary to implement the changes made
7 by this Act. A regulation adopted under this section may not take effect before the effective
8 date of the law being implemented by the regulation.

9 * **Sec. 31.** Sections 29 and 30 of this Act take effect immediately under AS 01.10.070(c).

10 * **Sec. 32.** Except as provided in sec. 31 of this Act, this Act takes effect July 1, 2019.