A BILL

FOR AN ACT ENTITLED

"An Act establishing the teachers' retirement system past service cost liability account in the Department of Revenue; establishing the public employees' retirement system past service cost liability account in the Department of Revenue; and providing for an effective date."

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

* Section 1. AS 37.10 is amended by adding new sections to read:

Article 4A. Teachers' and Public Employees' Retirement System Past Service Cost Liability Accounts.

Sec. 37.10.200. Teachers' retirement system past service cost liability account. (a) There is established in the Department of Revenue the teachers' retirement system past service cost liability account, consisting of appropriations to the account. The commissioner of revenue shall develop and adopt regulations necessary to accomplish the requirements of this section and shall manage the account according to the requirements of AS 37.10.071.
(b) At the end of each fiscal year, after all distributions under (c) of this section are completed, money appropriated for use in that fiscal year reverts to the general fund and all income earned on the money shall be paid to the general fund.

(c) During each fiscal year, the commissioner of revenue shall distribute from the account established in (a) of this section, to each employer other than the state that is a member of the Teachers' Retirement System of Alaska, a payment that the employer shall pay to the state for that fiscal year toward eliminating the employer's past service cost liability to the Teachers' Retirement System of Alaska.

(d) A payment to an employer under (c) of this section must be based on 85 percent of the payroll on which employer contributions to the Teachers' Retirement System of Alaska were required and that the employer reported to the Department of Administration for the fiscal year preceding by three fiscal years the fiscal year for which a distribution is made under this section, and the past service cost rate of the system for the fiscal year preceding by three fiscal years the fiscal year for which a distribution is made under this section.

(e) For any fiscal year that the money available for distribution from the account is insufficient to pay every eligible employer the amount due under this section, the amount distributed in that fiscal year to every eligible employer shall be decreased pro rata.

(f) An employer who receives an overpayment in excess of a distribution authorized by this section or in excess of the employer's past service cost liability shall immediately return the overpayment to the commissioner of revenue, who shall cause it to be returned to the account.

Sec. 37.10.202. Public employees' retirement system past service cost liability account. (a) There is established in the Department of Revenue the public employees' retirement system past service cost liability account, consisting of appropriations to the account. The commissioner of revenue shall develop and adopt regulations necessary to accomplish the requirements of this section and shall manage the account according to the requirements of AS 37.10.071.

(b) At the end of each fiscal year, after all distributions under (c) and (d) of this section are completed, money appropriated for use in that fiscal year reverts to the
general fund and all income earned on the money shall be paid to the general fund.

(c) During each fiscal year, the commissioner of revenue shall distribute from
the account established in (a) of this section, to each municipal employer or school
district employer member of the Public Employees' Retirement System of Alaska, a
payment that the employer shall pay to the state for that fiscal year toward eliminating
the employer's past service cost liability to the Public Employees' Retirement System
of Alaska.

(d) A payment to an employer under (c) of this section must be based on the
payroll on which employer contributions to the Public Employees' Retirement System
of Alaska were required and that the employer reported to the Department of
Administration for the fiscal year preceding by three fiscal years the fiscal year for
which a distribution is made under (c) of this section and 85 percent of the employer's
past service cost rate during the fiscal year that precedes the distribution fiscal year
under (c) of this section by three fiscal years.

(e) In addition to the distribution under (c) of this section, an employer that
paid to the Public Employees' Retirement System of Alaska in excess of the amount
the employer was required to pay for the fiscal year preceding by three fiscal years the
fiscal year that a distribution is made under this section shall receive, in unrestricted
funds, an incentive distribution from the account in an amount equal to 50 percent of
the excess.

(f) For any fiscal year that the money available for distribution from the
account is insufficient to pay every eligible employer the amount due under this
section, the amount distributed in that fiscal year to every eligible employer shall be
decreased pro rata.

(g) An employer who receives an overpayment in excess of a distribution or
incentive distribution authorized by this section shall immediately return the
overpayment to the commissioner of revenue, who shall cause it to be returned to the
account.

Sec. 37.10.204. Definitions. In AS 37.10.200 - AS 37.10.204,

(1) "average past service cost rate" means the average of the past
service cost rate of all employers as reported by the state's actuary for the fiscal year
preceding by three fiscal years the fiscal year for which a distribution is made under
AS 37.10.200 or AS 37.10.202;

(2) "past service cost rate" means the annual payment required to
eliminate an employer's unfunded liability over the amortization period, divided by the
payroll for which employer contributions are required and that is reported by the
employer to the Department of Administration for the fiscal year preceding by three
fiscal years the fiscal year that a distribution is made under AS 37.10.200 or

* Sec. 2. This Act takes effect July 1, 2006.