



THE STATE  
of **ALASKA**  
GOVERNOR BILL WALKER

**Department of Administration**

LESLIE RIDLE, Commissioner

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May 1, 2018

The Honorable Anna MacKinnon, Co-chair  
Senate Finance Committee  
Capitol Room 516

RE: HB 306 PERS/TRS Distributions

Dear Senator MacKinnon:

This letter is in response to a question raised during the April 25 hearing on HB 306 PERS/TRS Distributions. You asked whether the bill contained language addressing potential costs of disbursement options. The short answer is no, it does not, but I would like to provide additional information to more fully address the question.

As a tax-qualified plan under the IRS, the PERS and TRS Defined Contribution Plans must abide by the rules set forth in 26 U.S.C. 401(a), which requires the Plan to provide distribution of the employee account in a lump sum upon qualified termination of employment. Distribution options other than lump sums are provided to the participants on an elective basis. The Plan has no requirement to fund these elections and is prohibited by the federal code from using funds from the Plan for fees or other costs associated with a participant's elective option.

Therefore, if a participant chooses an option other than a lump sum option, any costs associated with that option is borne by the participant.

26 U.S.C. 401(a) is already referenced in 39.35.840 and 14.25.320 and was therefore not included in this bill.

Thank you for the opportunity to present our bill to the Senate Finance Committee. We are happy to meet with you to discuss further this issue further.

Sincerely,

A handwritten signature in blue ink that reads "Leslie D. Ridle".

Leslie Ridle, Commissioner

CC: Darwin Peterson