

Representative Grier Hopkins



ALASKA STATE HOUSE OF REPRESENTATIVES

Sectional Analysis for House Bill 220

An Act relating to the Public Employees' Retirement System of Alaska

Section 1: Repeals and reenacts this section of law providing that teachers are eligible to be part of the Defined Benefit (DB) retirement plan. Also requires that employers will continue to offer the Defined Contribution plan for public employees.

Section 2: Amends statutes to include the ability for a teacher to participate in the Defined Benefit retirement plan if they are not participating in the university plan or the Defined Contribution plan.

Section 3: Referencing the new subsection in statute which established the employee contribution rate for the DB pension option plan unless they are on unpaid leave or receiving workers compensation.

Section 4: Establishes a variable contribution rate for teachers starting at 6% and rising to 8% if the Defined Benefit plan becomes underfunded. Permits the employer to deduct that contribution from the employee's compensation prior to tax computation.

Section 5: Establishes that each teacher will have an individual Health Reimbursement Arrangement (HRA) account to assist the former employee with the costs of health care in retirement.

Section 6: Add language that a Post Retirement Pension Adjustment (PRPA) shall be provided to retired teachers under certain circumstance.

Section 7: Providing an adjustment to pension amounts for those dependents who are receiving benefits as the result of the death of a former member.

Section 8: Establishes that a Post Retirement Pension Adjustment (PRPA) can be provided to retired former teachers if the unfunded liability in the Defined Benefit trust funds is determined to be at equal to or greater than 90% funded.

Section 9: Removes the requirement that the death or disability of a teacher be related to an "on the job injury" prior to the beneficiary receiving a 40% pension amount based upon the deceased former member's salary.

Section 10: Ensures that not more than one benefit is being paid to a beneficiary of a deceased former member.

Section 11: Likewise, limits the survivor to a single benefit payment as a result of a former member's death.

Ester – Goldstream – Fox – Steese – Birch Hill

In Juneau ◦ Alaska State Capitol Room 434, Juneau, Alaska 99801

In Fairbanks ◦ 1292 Sadler Way Suite 308, Fairbanks, Alaska 99701

Juneau ◦ (907) 465-4457 ◦ **Fairbanks** ◦ 907-456-8172

Email: Rep.Grier.Hopkins@akleg.gov

Section 12: Likewise limits the spouse's benefit payment to a single benefit amount based upon the death of a former teacher.

Section 13: Ensures that benefit payments under the Joint and Survivor option are in place of other Death and Disability benefits.

Section 14: Removes the requirement that the death or injury of the former member be sustained while working on the job for the public employer if the spouse is receiving Survivor benefits.

Section 15: Limits the survivor to medical insurance benefits provided under new section 17 of this legislation (medical benefits.)

Section 16: Allows benefits to be paid to a surviving spouse when the surviving spouse is also a former member of the State of Alaska retirement plan.

Section 17: Creates a new medical benefits program establishing that an employee who selects to receive benefits under DB is entitled to medical benefits as well. This also includes medical benefits for the surviving spouse and requires that the recipient make the selection for medical benefits on or before the person turns 70.5 years old.

Section 18: Establishes that teachers who do not select to transfer to the new Defined Benefit plan shall remain part of the Defined Contribution plan.

Section 19: Requires all Alaskan public employers who participate in the Defined Benefit plan to also participate in the Defined Contribution plan for the benefit of those teachers who select to join the Defined Contribution plan.

Section 20: Provides that a newly hired teacher may make the irrevocable choice to switch from the Defined Benefit plan to the Defined Contribution plan and may make the choice retroactive to the time of first hire. This section provides a 90-day window for existing participants to join the Defined Contribution plan after the date of hire.

Section 21: Requiring the employer to make actuarially determined annual contributions to the trust funds to provide death and disability coverage for teachers. Also removes the occupational requirement for death and disability coverage.

Section 22: Removes the requirement that a teacher must pay the full premium for health insurance from the point of retirement. Sets the vesting requirement for benefits at 10 years of employment.

Section 23: Removes the requirement that the death or disability of a teacher be proximately caused by injury suffered while on the job.

Section 24: Ensures that vested benefits cannot be diminished or impaired in accordance with the Alaska State Constitution, Article 12, section 7.

Section 25: Ensures that accrued benefits of teachers cannot be diminished or impaired.

Section 26: Likewise ensures that the constitutional protections for teachers apply to any termination of the retirement plan by the employer.

Ester – Goldstream – Fox – Steese – Birch Hill

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Section 27: Permits a one-year window for the refund of funds paid to the plan by an employer if there was a mistake made on that payment.

Section 28: Permits the Alaska Retirement Management (ARM) Board to make adjustments to the participants contribution rates (6% rising potentially to 8%) and allowing for a Post Retirement Pension Adjustments (PRPA).

Section 29: Expands the power of the Alaska Retirement Management Board to establish the amount of the Post Retirement Pension Adjustment and to adjust the employee contribution rate when the actuary determines that the Defined Benefit trust account is underfunded.

Section 30: Permits the employer to obtain health insurance coverage for teachers under AS 14.25 and all other employees under AS 39.35, who participate in the pension option or DC plan.

Section 31: Permits the employer to prefund the health insurance trust funds that will provide public employees health insurance under the medical plan once these retirees are Medicare eligible. Before these retirees are Medicare eligible, they must pay 100% of the health insurance premium if they choose to participate.

Section 32: Permits the employer to prefund the Health Reimbursement Arrangement (HRA) accounts for the benefit of retirees to pay supplemental health insurance costs such as co-pays and deductibles.

Section 33: Establishes the HRA accounts are part of the health insurance retirement plan for all public employee and retiree participants in the future.

Section 34: Expands the loss of rights for non-vested employees to include medical benefits and HRA account access when the employee fails to work enough years (10 years for medical/HRA) to vest in the plan.

Section 35: Provides that once an employee meets the vesting requirements for medical and HRA benefits they are eligible for reimbursements from the individual accounts established for the employee.

Section 36: Allows the state to deduct payments from the individual accounts of the employee for the medical premium payments for the medical coverage provided by the state.

Section 37: Ensure that the retirement benefits are protected from diminishment or impairment but leaves in place the ability for the administration to make changes to the plan.

Section 38: Provides constitutional protections for accrued benefits for all retirees who participate in the retirement plan.

Section 39: Provides constitutional protection for vested benefits and individual accounts even when the plan has been terminated by the employer.

Section 40: Provides a one-year grace period for the State of Alaska to return contributions that were mistakenly provided by an employer, such as a municipality.

Section 41: Expands the definition of “Eligible Person” to include employees who select benefits under this plan.

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Section 42: Expands the Defined Benefit retirement benefits to include those employees who either convert to the DB plan and those that select the DB plan at the time of hire.

Section 43: Allows those employees who select Defined Benefits the ability to join the plan.

Section 44: Establish contribution rate for police and fire starting at 8% and rising to 10% if an unfunded liability is created, and contribution rates for all others at 6% rising to 8% if the plan creates an unfunded liability.

Section 45: Ensures that funds provided by the employer for the HRA be computed for each individual employee and accounting for the medical benefits provided to survivors in the event of an employee's death or disability.

Section 46: Ensures that a spouse who is receiving death benefits derived from credit for the deceased member's military service, continues to receive those benefits.

Section 47: Establishes which employees are entitled to benefits in retirement.

Section 48: This new section establishes the age for retirement after defined years of service. Employees must have five years of service and be 60 years old to receive a pension benefit. For Police/Fire they must be 55 years old with 20 years of service. Others can retire at any age with 30 years of service.

Section 49: This section limits the benefits provided for elected public officials, including the medical benefits provided under this legislation.

Section 50: Removes the requirement that the death of an active employee occur as a result of an injury that occurred on the job.

Section 51: Removes the requirement that the death of the employee be the result of an occupational injury when that employee designates a beneficiary other than the spouse or dependents of the deceased employee.

Section 52: Removes the occupational death requirement from this section for employees first hired prior to July 1, 2006 in the prior Defined Benefit plan.

Section 53: Removes the reference to both occupational and nonoccupational causes of death from the statute.

Section 54: This section provides a Post Retirement Pension Adjustment (PRPA) but would limit the award of a PRPA when the retirement trust accounts are 90% funded. Please refer to Section 57 of this legislation for more information.

Section 55: Establishes a Post Retirement Pension Adjustment may only be provided to those retirees who meet the service requirements found in Section 48. Five years to vest in benefits plus 60 years old, 30 years of service at any age or 20 years of service as Police/Fire and 55 years old.

Section 56: Removes the occupational requirement when providing a PRPA to a surviving spouse.

Section 57: Establishes that a PRPA may only be provided to those employees who meet the vesting requirements and allows the ARM Board to suspend those adjustments when the trust fund is below 90% full funding.

Section 58: Ensures that nonoccupational death benefits continue to be paid even though that section of the statute has been repelled for those employees in the prior DB plan.

Section 59: Permits a retiree to receive both the benefits earned by that employee and the benefits provided because of the death of a spouse who was also a public employee.

Section 60: Adds access to medical benefits for Police/Fire who were employed after 6/30/2006 and for surviving spouses if the former member was retired at the time of death.

Section 61: Establishes that an employee first hired before July 1, 2006, or the surviving spouse of that employee, may elect major medical coverage in retirement.

Section 62: Allows a peace officer or firefighter or their surviving spouse who first was employed after June 30, 2006, to select major medical coverage under this plan.

Section 63: New section creating the medical benefits plan for all other public employees except teachers. (See Section 17 for the medical plan for teachers.) This medical plan is identical to the medical plan offered to prior Defined Contribution employees. (teachers medical plan is covered in AS 14.25.171)

Section 64: Establishes that new employees in the pension option plan calculate pension benefits amounts based upon the salary earned over five consecutive years of service.

Section 65: Ensures that normal retirement is calculated based upon minimum years of service.

Section 66: This section provides an option for employees to remain in the Defined Contribution plan rather than the Defined Benefit plan and for those that select DC at the time of hire or 90 days thereafter.

Section 67: Requires employers who offer the Defined Contribution plan to also offer the option for employees to participate in the Defined Benefit retirement plan.

Section 68: This section offers the newly hired public employee the option of selecting and participating in the Defined Contribution plan within 90 days of first being hired. Funds deposited in the Defined Benefit plan on behalf of the employee will be transferred to the employee's individually managed Defined Contribution account.

Section 69: Removes the reference to occupational death of disability as a requirement before the dependents can receive a survivor's benefit and requires employers to make contributions to a trust fund to cover this benefit.

Section 70: Removes the requirement that the public employee retire directly into the medical benefits portion of the retirement plan. This will allow the former employee to wait until they are Medicare eligible (age 65) before they access the health care benefits allowing them to take advantage of the benefit when the medical benefit provision begins to apply the plan begins paying a portion of the

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Medical insurance premium depending on years of service. This section also sets the vesting requirement of 10 years of service to receive medical benefits in retirement.

Section 71: Removes the requirement that the death of an employee be the result of an on-the-job injury for their survivors to receive benefits.

Section 72: Removes the occupational requirement for benefit calculations.

Section 73: Adds reference to the Alaska State Constitution, Article 12, Section 7, which protects the retirement plans from diminishment of impairment. Also removes language that provides the State of Alaska the ability to change the retirement plan.

Section 74: Adds a reference to the Alaska State Constitution and ensures that accrued benefits are protected.

Section 75: Adds a reference to the Alaska State Constitution and sets the date at which investments are calculated at the time of termination.

Section 76: Provides a one-year window for the state to refund an incorrect contribution by the employer.

Section 77: Removes the occupational requirement for Death and Disability coverage.

Section 78: Repeals sections of statute that are no longer applicable including nonoccupational death benefits, death caused by assault exceptions and the option to convert from Defined Benefit to Defined Contribution plan of a non-vested member. This final repealed section is no longer necessary since the new employee will have option of joining either plan at the time of hire or within 90 days thereafter.

Section 79: Non-statutory provisions (uncodified) that provide all existing public employees (teachers, Police/Fire, and all others) a 90-day window to decide if they want to convert to the new DB plan or remain the DC plan. If the employee decides to convert to DB, the DC account balance will be transferred to the DB plan to purchase that credited time.

Section 80: Uncodified rules for conversion from Defined Contribution to Defined Benefit plan. Adds a consent requirement for that conversion from the spouse of the employee. If the DC account is not sufficient to cover the actuarially determined cost of that conversion, a payment formula will be established to pay for the additional costs of conversion to DB. Also defines terms used in this uncodified section.

Section 81: Uncodified rules that permit the ARM Board and Commissioner of Administration to adopt regulations to implement the changes contained in this legislation. Any adopted regulations do not take effect until the Defined Benefit Pension Option law goes into effect.

Section 82: Permits the ARM Board and Administration to begin work on the regulations immediately.

Section 83: Sets the effective date for the implementation of the Defined Benefit Pension Option program for July 1, 2022.