

# 32<sup>ND</sup> ALASKA STATE LEGISLATURE



REPRESENTATIVE ANDY JOSEPHSON

## Sectional Analysis for CSHB 55(FIN)

**Section 1:** Amends AS 37.10.220(a) regarding the powers and duties that the Alaska Retirement Management (ARM) board shall carry out including:

- Adding new duties to account for appropriate employer contributions for peace officers and fire fighters and adjustments to these employees' contributions;
- and
- Determining the amount of the monthly employer contributions under new subsection AS 39.35.255(i) for peace officers and firefighters participating in the defined benefit plan after June 30, 2006.

**Section 2:** Amends AS 37.10.220(b) regarding the powers and duties of the Alaska Retirement Management (ARM) board, adding the ability to adjust the post-retirement pension adjustment (PRPA) amounts and the employee contribution rates for peace officers and firefighters participating in the defined benefit plan after June 30, 2006.

**Section 3:** Adds to the ARM board statute the definitions for "peace officer" and "firefighter" the existing in AS 39.35.680 (the PERS defined benefit definitions section).

**Section 4:** Amends AS 39.30.090(a) by adding the AS 39.37.537 (the new health reimbursement arrangement (HRA) medical benefit for peace officers and firefighters participating in the defined benefit plan after June 30, 2006 found in section 29) to the list of retiree medical benefit programs that the Department of Administration has the power to procure group insurance for.

**Section 5:** Amends AS 39.30.097(a) regarding Alaska retiree health care trusts. Adds the new AS 39.35.537 (the peace officer/firefighter HRA found in section 29) to the list of medical benefit programs that the Department of Administration commissioner is authorized to prefund.

**Section 6:** Amends AS 39.30.097(b) regarding Alaska retiree health care trusts. Adds the new AS 39.35.537 (the peace officer/firefighter HRA found in section 29) to the list of medical benefit programs that the Department of Administration commissioner is authorized to prefund.

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**Section 7:** Makes a Revisor’s type technical change by using the new preferred term for referring to the state retirement system.

**Section 8:** Amends AS 39.30.380 regarding how the HRA medical benefits are handled for terminated employees who leave prior to retiring. A person who terminates employment prior to meeting the eligibility requirements under the new AS 39.35.537 (proposed peace officer and firefighter HRA found in section 29) lose rights to their contribution to the HRA trust fund, in line with other Tier IV HRAs.

**Section 9:** Amends AS 39.30.390 regarding eligibility for reimbursement under the HRA. Adds the new AS 39.35.537 (proposed peace officer and firefighter HRA found in section 29) as eligible for reimbursements from the HRA.

**Section 10:** Amends AS 39.30.400(a) regarding benefits payable from individual HRA accounts. The new AS 39.35.537 (proposed peace officer and firefighter HRA found in section 29) is added as a plan from which the administrator may deduct the cost of monthly premiums.

**Section 11:** Amends AS 39.30.495 which contains the definitions for the HRA statutes. Adds the new AS 39.35.537 (proposed peace officer and firefighter HRA found in section 29) to the definition of “eligible person” found in AS 39.30.495(5).

**Section 12:** Amends AS 39.35.095 which lays out the applicability of the defined benefit retirement plan statutes found in AS 39.35.095-39.35.680 to include peace officers and firefighters participating in the defined benefit plan after June 30, 2006.

**Section 13:** Conforming amendment to AS 39.35.160(a) which outlines the employee contribution rates for peace officers or firefighters hired before June 30, 2006, excepting the new AS 39.35.160(e) (found in section 14). Deletes material on page 9, lines 18-25 that is reproduced in a new AS 39.35.160(f) (found in section 14).

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**Section 14:** Creates new subsection AS 39.35.160 (e) setting the employee contribution rate for peace officers and firefighters participating in the defined benefit plan after June 30, 2006, at 8 percent of the employee’s compensation. The ARM board may adjust the contribution rate from 8 to 12 percent. Subsection (f) reproduces the deleted material from page 9, lines lines 18-25 in section 13 of the bill, ensuring that contributions conform with the federal Internal Revenue Code.

**Section 15:** Amends AS 39.35.255(a) by referring to a new subsection (i) and by doing so makes clear that the total employer contribution remains 22% for peace officer and fire fighter employers.

**Section 16:** Amends AS 39.35.255(d) and is a technical conforming change to accommodate the new subsection (i) of this statute.

**Section 17:** Amends AS 39.35.255(e) and is a technical conforming change to accommodate the new subsection (i) of this statute.

**Section 18:** Adds new subsections (i) and (j) to AS 39.35.255.

- New subsection (i) establishes one of the new features that aim to make this new tier financially viable. It specifies that the employer contribution to the employee retirement benefit will remain constant at 12%. And, that the difference between the 12% contribution dedicated to employee benefits and the 22% total employer contribution will be available for the past liability of the PERS system.
- New subsection (j) states that the ARM board may increase the employer contribution to the employee retirement benefit based on the board’s decision to increase employee contributions. This is also a new feature, or “lever,” added to help make the new tier financially viable.

**Section 19:** Amends AS 39.35.282 regarding employer contributions for medical benefits, conforming that section to changes in the bill affecting peace officers and firefighters first participating in the defined benefit plan after June 30, 2006.

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**Section 20:** Conforming amendment to AS 39.35.370(a) which outlines the years of service requirements to become eligible for retirement benefits under the defined benefit retirement plan. The conforming language specifies that the credit service requirements in subparagraphs 1-3 only apply to persons who became members of the defined benefit retirement plan prior to July 1, 2006.

**Section 21:** Amends AS 39.35.370 by adding a new subsection (l) detailing the service requirements for peace officers and firefighters participating in the defined benefit plan after June 30, 2006. Members are eligible for a normal retirement benefit:

- At age 60 with at least five years of credited service as a peace officer or firefighter, or
- At age 55 with at least 20 years of credited service as a peace officer or firefighter.

**Section 22:** Amends AS 39.35.381 concerning the alternative benefits for elected public officials. The new AS 39.35.537 (proposed peace officer and firefighter HRA found in section 29) is added to the list of plans that elected public officials are not entitled to under the alternative benefit for elected public officials.

**Section 23:** Conforming amendment to AS 39.35.475(a) concerning the schedule for making the annual postretirement pension adjustments (PRPA), making those payments subject to the exceptions in the new subsection (g) (found in section 25).

**Section 24:** Conforming amendment to AS 39.35.475(b) concerning the calculation of the annual postretirement pension adjustments (PRPA), making those payments subject to the new subsection (h) (found in section 25).

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**Section 25:** This section contains one of the new features, or “levers,” added to help keep the new tier financially viable. The section is intended to allow the ARM board to reduce a benefit, the automatic post-retirement pension adjustment, to keep the new tier financially viable. The proposed new subsections:

- Subsection (g) sets up the adjustment feature of the next subsection.
- Subsection (h) allows the ARM board to reduce PRPA payments to peace officers and firefighters participating in the defined benefit plan after June 30, 2006, if the plan has an unfunded liability greater than 10 percent and clarifies that the feature can be used if the liability to PERS is attributable to the employees of this new tier.

**Section 26:** Conforming amendment to AS 39.35.535(a) concerning the medical benefits for employees under the defined benefit retirement plan. Adds a new subsection (g) (found in section 28) as an exception to the defined benefit retirement plan medical benefits for peace officers and firefighters participating in the defined benefit plan after June 30, 2006.

**Section 27:** Conforming amendment to AS 39.35.535(c) concerning the major medical insurance coverage for those under the defined benefit retirement plan. It specifies that the section only applies to those members or their surviving spouse who joined prior to July 1, 2006.

**Section 28:** Amends AS 39.35.535 by adding a new subsection (g) that states peace officers and firefighters participating in the defined benefit plan after June 30, 2006, are to receive benefits under the HRA as allowed under the new AS 39.25.537 (found in section 29).

**Section 29:** Adds a new section AS 39.35.537 creating an HRA medical benefit for peace officers and firefighters first participating in the defined benefit plan after June 30, 2006. The section specifies the eligibility, cost of premiums for the major medical insurance, and procedures for participation.

**Section 30:** Amends AS 39.35.680 (4) which contains the definitions for the defined benefit retirement plan statutes. Adds a new paragraph (F) under the definition of “average monthly

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compensation” that states the calculation for peace officers and firefighters first participating in the defined benefit plan after June 30, 2006, will be based on the highest five consecutive payroll years during the employee’s career.

**Section 31:** Conforming amendment to the definition of “employer” under AS 39.35.680(18) to include peace officers and firefighters participating in the defined benefit plan after June 30, 2006.

**Section 32:** Conforming amendment to the definition of “normal retirement” under AS 39.35.680(26) to include AS 39.35.370(l) detailing the service requirements for peace officers and firefighters participating in the defined benefit plan after June 30, 2006.

**Section 33:** Conforming amendment to AS 39.35.720 regarding the membership in the defined contribution retirement system, stating that all employees who become members on or after July 1, 2006, except as provided in AS 39.35.095, are part of the defined contribution plan, thus excepting peace officers and firefighters participating in the defined benefit plan after June 30, 2006.

**Section 34:** Adds a new subsection to AS 39.35.750 regarding employer contributions to the defined contribution retirement plan, stating those contribution requirements do not apply to peace officers and firefighters participating in the defined benefit plan after June 30, 2006, whose employer contribution requirements are found in the new AS 39.35.255(i) (found in section 18).

**Section 35:** Adds a new section to the uncodified law of the State of Alaska allowing peace officers and firefighters hired after June 30, 2006 and before the bill’s effective date to elect, within 90 days of the effective date of this section, to transfer their contributions to their defined contribution retirement plan to the defined benefit retirement plan. Those transfers will be used to purchase credited service under the defined benefit retirement plan on an actuarially equivalent basis set by the ARM board.

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**Section 36:** Adds a new section to the uncodified law of the State of Alaska creating procedures set out by the Department of Administration for employees to transition their contributions under the defined contribution retirement plan to the defined benefit retirement plan. This section also states that the election to transition from the defined contribution to the defined benefit plan is irrevocable. If there is a difference between the actual years of service and the equivalent years of service calculated by an employee's contributions to the defined benefit retirement plan, then the Department of Administration will allow persons to buy the difference. If the equivalent years of service are in excess of the actual years of service, then the excess remains under the defined contribution retirement plan.

**Section 37:** Adds a new section to the uncodified law of the State of Alaska instructing the Department of Administration commissioner to make conforming regulations.

**Section 38:** States that section 37 takes immediate effect under AS 01.10.070(c).

**Section 39:** Sets effective date of July 1, 2021