

Major Changes in SB 121

Substantive changes in Sen. L&C "U" version:

- The changes in the bill take effect 7/1/2013
- All employees in the new tier contribute eight percent of pay to the system.
- Employees currently in the DC plan who convert are not automatically entitled to credit for all the time they've worked:
 - The actuarial 'time value' of the DC account will be credited automatically.
 - The employee may choose to create an indebtedness to make up any shortage, up to the actual years of service.
- Retirees in the new Defined Benefit tiers will pay a share of medical insurance premiums. These initially follow the same schedule as DC retirees:
 - If the retiree is eligible for Medicare, the retiree pays:
 - 30 percent with 10-15 years of service
 - 25 percent with 15-20 years of service
 - 20 percent with 20-25 years of service
 - 15 percent with 25-30 years of service
 - 10 percent with 30 or more years of service
 - If a teacher, peace officer, or firefighter works 25 years or more, the retiree pays the percentages above, even if not eligible for Medicare.
 - If a PERS employee who is not a peace officer or firefighter works 30 years or more, the retiree pays 10 percent of the premium even if not yet eligible for Medicare.
 - These percentages can be changed by the actuary until the date an individual retires. The changes will be made in five year blocks to keep the cost of prefunding the system no greater than the DC system.

Technical and mechanical changes:

- The title is more descriptive of the bill.
- When an employee converts from one plan to another, the change is retroactive to the date of hire. (This does not change the service credit provisions in the bill.)
- Time limits for several irrevocable choices were changed from 60 to 90 days.
- Language was clarified to ensure survivors of Defined Benefit employees' survivors are eligible for survivor benefits.
- References to the Alaska Retirement Management Board transferring funds and adopting regulations were changed to the administrator (Department of Administration) to reflect current practice.
- Language requiring individual accounts to be transferred with "interest" was changed to "with investment earnings and losses" to avoid confusion with statutory interest rates under other retirement statutes.