

Alaska State Legislature

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Explanation of Changes SENATE CS for Senate Bill 88 Version 33-LS0505/B to 33-LS0505/R

The Committee Substitute adopts the following changes:

Section 1, page 1, lines 9-11:

- Adds language to clarify the applicability is for teachers eligible for the proposed Defined Benefit (DB) plan and not just for those teachers who are currently members in the Teacher Retirement System (TRS).

Section 2, page 2, lines 5-13:

- Strikes and adds language to clarify eligible teachers may continue in the Defined Contribution (DC) Retirement Plan and choose to not participate in the proposed Defined Benefit Retirement Plan.

Section 3, adds a new section, page 2, line 14 to page 3, line 19:

- Codifies the procedure TRS DB members who are also members of a PERS DB can elect to have their PERS earnings included in their TRS base salary to potentially count toward their pension benefit calculation.

Section 4, adds a new section, page 3, line 20 to page 6, line 11:

- Codifies the procedure for rehired teachers currently enrolled in the DC Plan to elect the proposed DB Plan.

Section 8, page 7, line 28 to page 8, line 8:

- Amending Subsection (e) increases the range of the employee contribution rate from 8-10% to 8-12%.
- Adds Subsection (g) adds that the when the funding ratio of the proposed plan falls below 90%, the Alaska Retirement Management (ARM) Board may increase the employee's contribution rate to address the past service liability attributable to the proposed plan. Subsection (g) further stipulates that the ARM Board may not increase the employee contribution rate by more than is needed to address 50% of the gap between the funding level at that point in time, and the 90% or greater threshold.

Section 9, page 8, lines 9-23

- Deletes the added subsection (a) language.
- Adds subsection (b) which directs that the employer contributions must be deposited into the retirement fund and the Alaska retiree health care trust at the end of each pay period. The late fee for delinquent employer contributions has been reduced from one and one-half times to the actuarial rate of earnings.

Section 10, page 8, line 24 to page 9, line 7:

- Stipulates that the employer contribution rate may be adjusted between 12-12.56% and is determined by the ARM Board based on the full actuarially determined cost of the new TRS system.

Section 11, page 9, lines 8-11:

- Adds a new section to allow the legislature to appropriate funds to decrease the employer contribution rate.

Sections 12, 13, and 14 pages 9-10:

- Conforms with the CS changes.

Section 15, page 10, lines 22-28:

- Adds a new section to direct the employer contributions on behalf of members of the proposed Defined Benefit plan must be deposited into a new sub-trust of the retirement plan, (other than those needed for Health Reimbursement Arrangement, medical insurance, the Defined Contribution (DC) plan and past service cost.)

Section 16, page 10, line 29 to page 11, line 9:

- Amends language to clarify that the contributions for medical benefits must be accounted for separately and deposited into the health care trust.

Section 17, page 12, lines 4-9:

- Adds a new subsection (a)(2) explaining the qualifications for retirement for those hired after June 30, 2006.

Section 18, page 12, lines 10-14:

- Adds a new subsection (b) noting the requirements for early retirement.

Version B's sections 17 and 18 have been removed to align the TRS disability benefits in the proposed DB Plan with the benefit in TRS Tier II.

Section 19, page 12, line 27 to page 13, line 5:

- Changes TRS benefit calculation criteria from the members highest five consecutive years to highest five years of membership service.

Version B's sections 22, 24 thru 33, and 35 have been removed to align the TRS death and duplicate benefits in the proposed DB Plan with the benefit in TRS Tier II.

Section 23, page 14, lines 1-12

- Adds a new subsection (g) that reduces the Post Retirement Pension Adjustment (PRPA) by half for plan beneficiaries who are not Alaska Residents. Provides that residency is determined using Permanent Fund Dividend eligibility requirements that are currently in law.
- Conforming changes to subsection (h).

Section 25, page 15, lines 13-17:

- Adds language to carry over the eligibility requirement for medical benefits under the DC plan and inserts it into the DB section of statute.

Section 27, page 18, lines 25 to page 19, lines 4:

- Adds a section aligning the definitions of “base salary” and “compensation” to include a teacher’s main contract along with any contract addenda.

Section 29, page 19, lines 20-24:

- Deletes the definitions of “non-occupational disability” and “occupational disability.”
- Adds the definition of “first became a member after June 30, 2006.”

Section 30, page 19, lines 25-31, and page 20, lines 1-7:

- Amends language to reflect that applicability of the DC Plan includes those eligible for the proposed DB Plan but who choose not to elect.

Section 32, page 20, lines 11-16:

- Amends language to conform.

Version B’s section 43 has been deleted to conform with the CS changes.

Section 37, page 23, line 26 to page 24, line 14:

- Adds two new subsections:
- Subsection (17) directs the ARM board to establish sub-trusts of the pension fund for the proposed DB plans.
- Subsection (18) directs the ARM board to account and track the employer contributions, employee contributions, and the earnings in these sub-trusts.

Version B’s section 51 has been deleted to conform with the CS changes.

Section 41, page 27, line 15 to page 20, line 7:

- Amends language to establish the Health Reimbursement Arrangements for members of the proposed DB plan.

Section 50, page 29, line 30 to page 30 line 7:

- Amends the definition of “employer.”

Section 51, page 30 lines 8-14:

- Amends the definition of “member.”

Section 52, page 30, lines 15-25:

- Conforms applicability of the current DB plan with the CS changes.

Section 53, page 30, line 26 to page 31 line 8:

- Adds new subsections to provide specific circumstances under which a rehired employee can come back into the DC Plan after this bill's effective date.

Section 54, page 31, lines 9-18:

- Amends language to conform with the CS changes.

Section 55, page 31, line 19 to page 34, line 11:

- Adds new section to codify the procedure for rehired public employees currently enrolled in the DC Plan to elect participation in the proposed DB Plan.

Section 57, page 34, line 26 to page 35, line 21:

- Amends subsection (e) increases the range of employee contribution rate from 8-10% to 8-12% for all PERS members.
- Subsection (g) adds that when the funding ratio of the proposed plan falls below 90%, the ARM Board may increase the employee's contribution rate to address the past service liability attributable to the proposed plan. Subsection (g) further stipulates that the ARM Board may not increase the employee contribution rate by more than is needed to address 50% of the gap between the funding level at that point in time, and the 90% or greater threshold.

Section 58-61, page 35, line 22 to page 37, line 4:

- Specifies how rehired public employees may purchase credited service under the proposed Defined Benefit plan.

Section 62, page 37, lines 5-27:

- This section is amended to say that the employer contribution rate is established by the full actuarially determined contribution rate and is variable being no less than 12% and no greater than 22%.

Section 63, page 37, lines 28-31:

- Adds a new section to allow the legislature to appropriate funds to decrease the employer contribution rate.

Section 64, page 38, lines 1-7:

- Amends language to specify which funds must be put in the proposed plan sub-trusts.

Section 65, page 38, lines 8-19:

- Amends the language to clarify that the contributions for medical benefits must be accounted for separately and deposited into the health care trust.

Section 66, page 38, lines 20-28:

- Conforming change adopting military service credit language from the prior PRS DB system.

Section 66-67, page 38, lines 20 to page 39, line 6:

- Conforming changes to make members of the proposed plan eligible for past service credit options available in the DB sections of statute.

Section 71, page 40, lines 10-21:

- Adds a new subsection (g) that reduces the Post Retirement Pension Adjustment (PRPA) by half for plan beneficiaries who are not Alaska Residents. States residency is determined using Permanent Fund Dividend eligibility requirements.

Section 76, page 42, line 21 to page 43, line 7:

- Amends and adds language to carry over the eligibility requirement for medical benefits under the PERS DC plan and inserts it into the PERS DB section of statute.

Section 77, page 45, lines 21-28:

- Adds subsection which directs that the employer contributions must be deposited into the retirement fund and the Alaska retiree health care trust at the end of each pay period. The late fee for delinquent employer contributions has been reduced from 150% to 100% of the actuarial rate of earnings.

Section 79, page 46, lines 20-29:

- Amends the definition of “employer.”

Section 80, page 46, line 30 to page 47, line 3:

- Adds the definition of “first became a member after June 30, 2006.”

Section 81, page 47, lines 4-16:

- Amends language to reflect that applicability for the PERS DC Plan to include those eligible for the proposed PERS DB Plan but who choose not to elect.

Version B’s section 85 has been deleted to conform with the CS changes.

Version B’s uncodified section 97 has been partially deleted as the procedures for a DC member choosing to elect the proposed DB plan are now codified. The uncodified implementation of this Act is still in effect in Version R’s section 90.