

Alaska State Legislature

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SENATE BILL 88

Retirement Systems; Defined Benefit Opt.

SUMMARY OF CHANGES (Ver. B to D)

1. Employee Contribution:
 - a. Version B provided 8-10% adjustable range; Version D range increased to 8-12% to provide more risk share of employee.
2. Employer Contribution:
 - a. Version B incorporated the employer rate of 22% Public Employees Retirement System (PERS) and 12.56% Teacher Retirement System (TRS).
 - b. Version D allows Public Employees Retirement System (PERS) 22% to drop to full actuarial cost, with a floor of 12%; Teacher Retirement System (TRS) 12.56% to drop to full actuarial cost, with a floor of 12%.
 - c. Employee rate may be increased to address liabilities, but employers must contribute an equivalent amount as employees. Version B provided the change as same percentage; Version D provides for the same total amount.
3. Employer Fee for Late Contributions:
 - a. Version B did not address this mechanism.
 - b. Current law of 1.5 times interest rate on late payments to the State of employer and employee contributions is reduced to the normal interest rate in Version D.
4. Vesting: no change from Version B to D.
5. Qualification for Retirement: no change from Version B to D.
6. Benefit Calculation Formula: no change from Version B to D
7. Final Average Salary:
 - a. Version B teacher final average salary was based on consecutive years; Version D removes consecutive time requirement for teachers.
 - b. Public Employees Retirement System (PERS) had no change.

8. Post Retirement Pension Adjustments:
 - a. Version B did not address an out-of-state residency reduction in Post Retirement Pension Adjustments (PRPA) or qualification for Permanent Fund Dividend (PFD).
 - b. Version D amends that nonresidents ineligible for Permanent Fund Dividend (PFD), as the qualifications read on the effective date of the Act, are subject to 50% reduction in Post Retirement Pension Adjustments (PRPA).
9. Retirement Medical Coverage: no change from Version B to D.
10. Death and Disability:
 - a. Version B aligned the new Teacher Retirement System (TRS) with Public Employees Retirement System (PERS) Tier III; Version D aligns new Teacher Retirement System (TRS) with Tier II.
11. Requirement of Separate Accounting:
 - a. Version B did not include this requirement; Version D recognizes the need.
 - b. Plan administrator and Alaska Retirement Management (ARM) Board have mandate to account for and track contributions, assets, earnings, and liabilities of the members of the new Teacher Retirement System (TRS) plan.
12. Requirement of Sub-Trusts:
 - a. Version B did not include this requirement; Version D recognizes the need.
 - b. The Alaska Retirement Management (ARM) Board shall establish sub-trusts to hold the employer and employee contributions, assets, and earnings of the new Defined Benefit plans.
13. TRS Members with PERS Services:
 - a. Version B did not include this election; Version D recognizes the need for clarity and consistency.
 - b. Teacher Retirement System (TRS) Defined Benefit members who are also members of a PERS Defined Benefit can elect to have their PERS earnings included in their Teacher Retirement System (TRS) base salary to potentially count toward their pension benefit calculation.
14. Current Defined Contribution Employees Option: no change from Version B to D.
15. Defined Contribution employee converting to the Defined Benefit Plan:
 - a. Version B envisioned a mandated pay-up of service time indebtedness; the Version D clarifies that the transferor can choose to accept the value of the service time as the amount of membership service time credit in the new Defined Benefit plan, or pay up to the full amount of indebtedness for full service time credit.
16. New Employees: no change from Version B to D.

17. Former Employees with an Active Defined Contribution Account:

- a. Version B did not expressly provide for this opt-in policy for former Defined Contribution members with active accounts.
- b. Former PERS Tier IV or TRS Tier III members who are reemployed who kept their DC accounts active can opt to convert from the DC plan to the new DB plan within a four-month time window, regardless of when they come back.

18. Former Employees with an Inactive Defined Contribution Account:

- a. Version B did not expressly provide for the policy for former Defined Contribution members without active accounts become members of the new DB plan or provide for the possibility that former Defined Contribution members who rolled over their accounts could rollback and opt into the new Defined Benefit plan.
- b. Former Public Employees Retirement System (PERS) Tier IV or Teacher Retirement System (TRS) Tier III members who are reemployed who did not keep their Defined Contribution accounts active will become members of the new Defined Benefit plan, unless their Defined Contribution account was rolled over to an Individual Retirement Account (IRA) and rolled back; then they can opt to convert from the Defined Contribution plan to the new Defined Benefit plan.