

# Alaska State Legislature

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## SENATE PRESIDENT PETE KELLY

### Sectional Analysis

#### Senate Bill 212

“An Act relating to participation of certain peace officers and firefighters in the defined benefit and defined contribution plans of the Public Employees' Retirement System of Alaska; relating to eligibility of peace officers and firefighters for medical benefits; and providing for an effective date.”

Please note that this is a sectional summary and not an authoritative interpretation of the bill. The bill itself is the best statement of its contents.

#### **Section 1** (pages 1-4)

Amends AS 37.10.220(a) regarding the powers and duties that the Alaska Retirement Management (ARM) board shall carry out, adding determining the amount of the monthly employer contributions under the newly added AS 39.35.257 for peace officers and firefighters participating in the defined benefit plan after June 30, 2006 (found in section 15)

#### **Section 2** (page 4)

Amends AS 37.10.220(b) regarding the powers and duties that the Alaska Retirement Management (ARM) board may carry out, 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** (page 4)

Adds to the ARM board statute definitions a meaning for “peace officer” and “firefighter” being the existing definitions found in AS 39.35.680 (the PERS defined benefit definitions section)

#### **Section 4** (pages 4-7)

Amends the AS 39.30.090(a) regarding the Department of Administration’s power to procure group insurance. Adds the new AS 39.35.537 (found in section 27) which creates a health reimbursement arrangement (HRA) medical benefit for peace officers and firefighters participating in the defined benefit plan after June 30, 2006.

#### **Section 5** (page 7)

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 27) to the list of medical benefit programs that the Department of Administration commissioner is authorized to prefund.

**Section 6** (page 7)

Amends AS 39.30.300 which created the Public Employees' Retirement System (PERS) and Teachers Retirement System (TRS) Health Reimbursement Arrangement (HRA) Plan for retirees under the teachers and public employee defined contribution plans. Language that specified that the HRA plan is only for members of the defined contribution plan (Tier IV) under PERS is removed.

**Section 7** (pages 7-8)

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 27) lose rights to their contribution to the HRA trust fund, likewise with the other HRAs.

**Section 8** (page 8)

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 27) as eligible for reimbursements from the HRA.

**Section 9** (page 8)

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 27) is added as a plan from which the administrator may deduct the cost of monthly premiums.

**Section 10** (page 8)

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 27) to the definition of "eligible person" found in AS 39.30.495(5).

**Section 11** (page 8)

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 12** (page 8-9)

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 13). Deletes material on page 9, lines 1-8 that is reproduced in a new AS 39.35.160(f) (found in section 13).

**Section 13** (page 9)

Sets the employee contribution rate for peace officers and firefighters participating in the defined benefit plan after June 30, 2006, to be equal to 8 percent of the employee's compensation. The ARM board may adjust the contribution rate from 8 to 10 percent. Subsection (f) reproduces the deleted material from page 9, lines 1-8 in section 12 of the bill, ensuring that contributions conform with the federal Internal Revenue Code.

**Section 14** (page 9)

Amends AS 39.35.255 concerning the contributions of employers to the PERS defined benefit retirement plan, adding a new subsection (i) stating that the contribution requirements are also subject to the new AS 39.35.257 (found in section 15) concerning employer contributions for peace officers and firefighters participating in the defined benefit plan after June 30, 2006.

**Section 15** (page 9-10)

Adds a new section AS 39.35.257 concerning employer contributions for peace officers and firefighters participating in the defined benefit plan after June 30, 2006. Employers are to contribute a rate, set by the ARM board, between 12 and 22 percent of the total monthly compensation the employer pays to all peace officers and firefighters combined.

**Section 16** (page 10)

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.

**Section 17** (page 10)

Amends AS 39.35.340(i) regarding the use of military service as credit toward the years of service requirements under the PERS defined benefit retirement plan. It adds the new AS 39.35.537 (proposed peace officer and firefighter HRA found in section 27) as a plan that credit service can be computed toward.

**Section 18** (page 10)

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 19** (page 10-11)

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 20** (page 11)

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 27) is added to the list of plans that elected public officials are not entitled to under the alternative benefit for elected public officials.

**Section 21** (page 11)

Conforming amendment to AS 39.35.475(a) concerning the schedule for making the annual post-retirement pension adjustments (PRPA), making those payments subject to the exceptions in the new subsection (g) (found in section 23).

**Section 22** (page 11)

Conforming amendment to AS 39.35.475(b) concerning the calculation of the annual post-retirement pension adjustments (PRPA), making those payments subject to the new subsection (h) (found in section 23).

**Section 23** (pages 11-12)

Amends AS 39.35.475 regarding the post-retirement pension adjustments (PRPA), adding new subsections:

- (g) states that persons receiving benefits under the new AS 39.35.370(l) are not eligible to receive PRPA increases.
- (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.

**Section 24** (page 12)

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 26) 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 25** (pages 12-13)

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 26** (page 13)

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 27).

**Section 27** (pages 13-16)

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 28** (pages 16-17)

Amends AS 39.35.680 which contains the definitions for the defined benefit retirement plan statutes. Adds a new paragraph (F) under the definition of “average monthly 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 29** (page 17)

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 30** (page 17)

Conforming amendment to the definition of “normal retirement” under AS 39.35.680(26) to include AS 39.35.370(1) detailing the service requirements for peace officers and firefighters participating in the defined benefit plan after June 30, 2006.

**Section 31** (page 17)

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 32** (page 18)

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 39.35.257 (found in section 15).

**Section 33** (page 18)

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.

**Section 34** (pages 18-20)

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 35** (page 20)

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

**Section 36** (page 20)

States that section 35 takes immediate effect under AS 01.10.070(c).

**Section 37** (page 20)

States that all other sections take effect July 1, 2018.