

## SB 28 – Public Employee Defined Benefits Plan Reinstatement

Version: 34-LS0280\A

Benefit Category	Proposed New PERS-PS (Public Safety)	Proposed New PERS-NPS (Non-PS public employees)	Proposed New TRS (Teachers)	Rationale for Policy Choice	Bill Section & Page Number Version R	Change from Prior Draft Version B
<b>Employee Contribution</b>	8-12% (adjustable by ARM Board)	8-12% (adjustable by ARM Board)	8-12% (adjustable by ARM Board)	Employees share risk and liabilities, contributing more during poor market returns.	PERS: Sec. 57, p.34-35 TRS: Sec. 8, p.7-8	Version B provided 8-10% adjustable range; increased to provide more risk share of employee.
<b>Employer Contribution</b>	<p>PERS employers other than the State pay the lesser of 22% or the full actuarial cost, but no less than 12%. State maintains existing liability toward past service cost above the 22%.</p> <p>When employee contribution rate rises above 8%, employer contributes equivalent amount.</p>	<p>PERS employers other than the State pay the lesser of 22% or the full actuarial cost, but no less than 12%. State maintains existing liability toward past service cost above the 22%.</p> <p>When employee contribution rate rises above 8%, employer contributes equivalent amount.</p>	<p>TRS employers other than the State pay the lesser of 12.56% or the full actuarial cost, but no less than 12%. State maintains existing liability toward past service cost above the 22%.</p> <p>When employee contribution rate rises above 8%, employer contributes equivalent amount.</p>	<p>Employer contributions align with current rates for DB and DC tiers, but when full actuarial cost falls below the maximum rates, municipalities and school districts receive financial relief; deemed best practices for rate-setting among public pension systems. The 12% hard floor for long term success of the plan.</p> <p>Employers and employees share risk and liabilities when employee contribution rate rises.</p>	<p>PERS: Sec. 62, p.37 TRS: Sec. 10, p.8-9</p>	<p>Version B incorporated the employer rate of 22% PERS and 12.56% TRS. SL&amp;C CS allows PERS 22% to drop to full actuarial cost, with a floor of 12%; TRS 12.56% to drop to full actuarial cost, with a floor of 12%.</p> <p>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; SL&amp;C CS provides for same total amount.</p>

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<b>Employer Fee for Late Contributions Reduced to Normal Interest</b>	Current law of 1.5 times interest rate on late payments to the State of employer and employee contributions reduced to the normal interest rate.	Current law of 1.5 times interest rate on late payments to the State of employer and employee contributions reduced to the normal interest rate.	Current law of 1.5 times interest rate on late payments to the State of employer and employee contributions reduced to the normal interest rate.	Intended to provide financial relief to employers.	PERS: Sec. 77, p.45 TRS: Sec. 9, p.8	Version B did not address this mechanism to provide financial relief to employers.
<b>Vesting</b>	5 years	5 years	5 years	PERS is consistent with prior DB tiers. Aligns TRS with PERS vesting period. Teachers previously vested at 8 years.	PERS: Current Law (DB) & Sec. 68, p.39 TRS: Sec. 17, p.11-12; Sec. 28, p.19	No change from Version B
<b>Qualification for Retirement</b>	50 w/ 25 years of service or 55 w/20 years of service	60 years of age or 30 years of service	60 years of age or 30 years of service	Allows PS employees to reach retirement eligibility prior to age 60. Aligns TRS with PERS qualification for retirement. PS and teachers previously qualified at any age after 20 years.	PERS: Sec. 68, p.39 TRS: Sec. 17, p.11-12	No change from Version B
<b>Benefit Calculation Formula</b>	2.0% First 10 years 2.5% thereafter	2.0% first 10 years 2.25% next 10 years 2.5% thereafter	2.0% first 10 years 2.25% next 10 years 2.5% thereafter	PERS is consistent with prior PERS Tier III. Aligns TRS with	PERS-PS & PERS-NPS: Current Law (DB) TRS: Sec. 19, p.12-13	No change from Version B

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				PERS benefit calculation. Teachers previously received 2.0% for 20 years and 2.5% thereafter.		
<b>Final Average Salary</b>	Highest 5 consecutive payroll years	Highest 5 consecutive payroll years	Highest 5 payroll years (includes contract addenda)	PERS-NPS consistent with prior PERS-NPS Tier III. Aligns PERS-PS with PERS-NPS final average salary calculation. PERS-PS previously based on highest 3 consecutive years. Teachers based on nonconsecutive years similarly to prior TRS Tier II highest 3 nonconsecutive years.	PERS: Current Law (DB) & Sec. 78, p.45-46 TRS: Sec. 26, p.17-18	Version B teacher final average salary was based on consecutive years; SL&C CS removes consecutive time requirement for teachers.
<b>Alaska Cost of Living Adjustment (COLA)</b>	Eliminated for new PERS-PS	Eliminated for new PERS-NPS	Eliminated for new TRS	Unlike prior DB plans, no COLA is provided for new PERS or TRS DB plans; helps to keep plan solvent.	PERS: Sec. 72, p. 40 TRS: Sec. 20, p.13	No change from Version B
<b>Post Retirement Pension Adjustments</b>	PRPA provided if new DB trust fund values are 90% funded, else ARM Board may	PRPA provided if new DB trust fund values are 90% funded, else ARM Board may	PRPA provided if new DB trust fund values are 90% funded, else ARM Board may	ARM Board may reduce or eliminate PRPA as necessary to keep the plan	PERS: Sec. 70, p.39-40; Sec. 71, p.40 TRS: Sec. 21, p.13; Sec. 22, p.13;	Version B did not address an out-of-state residency

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<b>(PRPA) (Inflation Protection)</b>	reduce or eliminate. Nonresidents ineligible for PFD, as the qualifications read on the effective date of the Act, are subject to 50% reduction in PRPA.	reduce or eliminate. Nonresidents ineligible for PFD, as the qualifications read on the effective date of the Act, are subject to 50% reduction in PRPA.	reduce or eliminate. Nonresidents ineligible for PFD, as the qualifications read on the effective date of the Act, are subject to 50% reduction in PRPA.	solvent. As an incentive to retiree state residency and offset in-state expenses, nonresidents receive a 50% reduction in PRPA.	Sec. 23, p.14	reduction in PRPA or qualification for PFD.
<b>Retirement Medical Coverage</b>	Coverage consistent with PERS Tier IV (Current DC plan). Major medical as supplement to Medicare available at age 65; premiums depend on service years. Employer contributes 3% average all employee compensation to employee HRA trust; individual accounts can be used for any qualifying medical need, including insurance premiums.	Coverage consistent with PERS Tier IV (Current DC plan). Major medical as supplement to Medicare available at age 65; premiums depend on service years. Employer contributes 3% average all employee compensation to employee HRA trust; individual accounts can be used for any qualifying medical need, including insurance premiums.	Coverage consistent with TRS Tier III (Current DC plan). Major medical as supplement to Medicare available at age 65; premiums depend on service years. Employer contributes 3% average all employee compensation to employee HRA trust; individual accounts can be used for any qualifying medical need, including insurance premiums.	Medical plan is consistent with PERS Tier IV and TRS Tier III, the current DC plans, to keep the plan solvent.	PERS: Sec. 76, p.42-45; Sec. 41, p.27-28 TRS: Sec. 25, p.15-17; Sec. 41, p.27-28	No change from Version B
<b>Disability &amp; Death Benefits</b>	Coverage consistent with PERS Tier III. Nonoccupational disability benefit calculated as normal	Coverage consistent with PERS Tier III. Nonoccupational disability benefit calculated as normal	Coverage consistent with TRS Tier II. Nonoccupational and occupational disability is 50% of	PERS is consistent with prior PERS Tier III. TRS is consistent with prior TRS Tier II. Unlike current DC	PERS: Current Law (DB) TRS: Current Law (DB)	Version B aligned new TRS with PERS Tier III; SL&C CS aligns new TRS with TRS Tier II.

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	retirement. Occupational disability or death provides 40% of the gross monthly compensation. Nonoccupational death benefit provided under formula.	retirement. Occupational disability or death provides 40% of the gross monthly compensation. Nonoccupational death benefit provided under formula.	member's base salary immediately before disability plus 10% for each dependent child up to four. Nonoccupational death benefit for vested member either lump sum or 50% joint & survivor option. Occupational death 40% of average base salary until normal retirement, then normal retirement.	plans, provides nonoccupational benefits to provide minimal protection to employees and their families when they have career ending injuries or disabilities occur off the job.		
<b>Requirement of Separate Accounting</b>	Plan administrator and ARM Board have mandate to account for and track contributions, assets, earnings, and liabilities of the members of the new PERS-PS plan.	Plan administrator and ARM Board have mandate to account for and track contributions, assets, earnings, and liabilities of the members of the new PERS-PS plan.	Plan administrator and ARM Board have mandate to account for and track contributions, assets, earnings, and liabilities of the members of the new TRS plan.	Formerly, no separate accounting for prior DB tiers, which will be necessary for the new DB plans to maintain separate attribution of risks and liabilities.	PERS & TRS: Sec. 37, p.21-24	Version B did not include this requirement; SL&C CS recognizes the need.

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<b>Requirement of Sub-Trusts</b>	The ARM Board shall establish sub-trusts to hold the employer and employee contributions, assets, and earnings of the new DB plans.	The ARM Board shall establish sub-trusts to hold the employer and employee contributions, assets, and earnings of the new DB plans.	The ARM Board shall establish sub-trusts to hold the employer and employee contributions, assets, and earnings of the new DB plans.	Creation of pension and medical sub-trusts for the new DB plans, along with existing HRA sub-trusts, enable better tracking of assets and liabilities and increased protection from prior DB tier liabilities.	PERS & TRS: Sec. 37, p.21-24	Version B did not include this requirement; the SL&C CS recognizes the need.
<b>TRS Members with PERS Service May Add PERS Compensation to TRS for Benefit Calculation</b>	PERS DB members who are also members of a TRS DB plan can elect to have their PERS earnings included in their TRS base salary to potentially count toward their pension benefit calculation.	PERS DB members who are also members of a TRS DB plan can elect to have their PERS earnings included in their TRS base salary to potentially count toward their pension benefit calculation.	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.	During vetting of the legislation for the SL&C CS it was observed that some teachers work in PERS service when not teaching while TRS and PERS dual membership was not addressed in law; this remedy was sought.	PERS: Not Applicable TRS: Sec. 3, p.2-3	Version B did not include this election; the SL&C CS recognizes the need for clarity and consistency.
<b>What happens to current DC employees, hired after 2006, if this became law?</b>	Current PERS Tier IV members, including previous transferors from DB Tier III, could opt to convert to the new DB plan within a four-month time window.	Current PERS Tier IV members, including previous transferors from DB Tier III, could opt to convert to the new DB plan within a four-month time window.	Current TRS Tier III members, including previous transferors from DB Tier II, could opt to convert to the new DB plan within a four-month time window.	Giving current DC employees an “opt-in” ensures that current employees can retain their DC plans or choose to opt into the new DB plan.	PERS & TRS: Sec. 89, p.48-49 (Uncodified Law)	No change from Version B

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<b>What happens to DC employees who convert to the new DB plan if their DB service time credit is different than their service under DC?</b>	The balance of the account of a PERS Tier IV member opting into the DB plan is valued for DB service time. If the value provides fewer DB years than worked the employee may elect to accept those service years or pay up to full service time. If the value is more than full service time, the member maintains the remainder in the DC account.	The balance of the account of a PERS Tier IV member opting into the DB plan is valued for DB service time. If the value provides fewer DB years than worked the employee may elect to accept those service years or pay up to full service time. If the value is more than full service time, the member maintains the remainder in the DC account.	The balance of the account of a TRS Tier III member opting into the DB plan is valued for DB service time. If the value provides fewer DB years than worked the employee may elect to accept those service years or pay up to full service time. If the value is more than full service time, the member maintains the remainder in the DC account.	Allows DC members opting into DB plan to join without worrying about a mandatory requirement to pay up full service time. Allows DC members with account balances in excess of value necessary to pay full service time credit to maintain a DC account.	PERS & TRS: Sec. 89, p.48-49 (Uncodified Law) PERS: Sec. 55, p.31-32 TRS: Sec. 4, p.3-4	Version B envisioned a mandated pay-up of service time indebtedness; the SL&C CS 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 DB plan, or pay up to the full amount of indebtedness for full service time credit.
<b>What happens to new employees, hired after the bill goes into effect, if this became law?</b>	New employees would automatically be enrolled in the new DB plan.	New employees would automatically be enrolled in the new DB plan.	New employees would automatically be enrolled in the new DB plan.	Alaska's workforce challenges recruiting and retaining public workers are the primary motivation driving this legislation. Pensions remain among the best fiscal choices for the state to meet these goals.	PERS: Sec. 52, p.30 TRS: Sec. 1, p.1; Sec. 2, p.1-2	No change from Version B

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<b>What happens to former DC employees who left their DC accounts active who are reemployed in service if this bill became law?</b>	Former PERS Tier IV 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.	Former PERS Tier IV 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.	Former 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.	Giving former DC employees an “opt-in” ensures the employees have flexibility in their options; incentivizes return to public service and potentially increases membership of the new DB plans.	PERS: Sec. 55, p.31-32 TRS: Sec. 4, p.3-4	Version B did not expressly provide for this opt-in policy for former DC members with active accounts.
<b>What happens to former DC employees who did not leave their DC accounts active who are reemployed in service if this bill became law?</b>	Former PERS Tier IV members who are reemployed who did not keep their DC accounts active will become members of the new DB plan, unless their DC account was rolled over to an IRA and rolled back; then they can opt to convert from the DC plan to the new DB plan.	Former PERS Tier IV members who are reemployed who did not keep their DC accounts active will become members of the new DB plan, unless their DC account was rolled over to an IRA and rolled back; then they can opt to convert from the DC plan to the new DB plan.	Former TRS Tier III members who are reemployed who did not keep their DC accounts active will become members of the new DB plan, unless their DC account was rolled over to an IRA and rolled back; then they can opt to convert from the DC plan to the new DB plan.	Alaska’s workforce challenges recruiting and retaining public workers are the primary motivation driving this legislation. Pensions remain among the best fiscal choices for the state to meet these goals.	PERS: Sec. 52, p.30; Sec. 53, p.30-31 Sec. 55, p.31-32 TRS: Sec. 1, p.1; Sec. 2, p.1-2; Sec. 3, p.2-3; Sec. 4, p.3-4	Version B did not expressly provide for the policy for former DC members without active accounts become members of the new DB plan or provide for the possibility that former DC members who rolled over their accounts could rollback and opt into the new DB plan.