

# LEGAL SERVICES

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## MEMORANDUM

February 3, 2012

**SUBJECT:** Pension reserve fund sectional summary  
(SB 187; Work Order No. 27-LS1249\B)

**TO:** Senator Lyman Hoffman  
Chair of the Senate Finance Committee  
Attn: Tim Grussendorf

**FROM:** Dan Wayne   
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill. The bill itself is the best statement of its contents.

**Section 1.** Prevents money transfers from the proposed pension reserve fund money to the Public Employees' Retirement System from causing reductions in potential damage awards for wrongful or negligent conduct of third parties.

**Section 2.** Adds management of a proposed pension reserve fund to the primary mission of the Alaska Retirement Management Board.

**Section 3.** Adds duties related to management of the proposed pension reserve fund to the existing duties of the Alaska Retirement Management Board, including duties to annually make calculations, by independent actuarial assessment, related to the ratio of the value of the assets of the Public Employees' Retirement System of Alaska and the value of the assets of the proposed pension reserve fund, combined, to the total liabilities of the Public Employees' Retirement System of Alaska.

**Section 4.** Establishes a pension reserve fund, allows appropriations to the fund, and requires money appropriated to the fund to be spent on the past service liability of the Public Employees' Retirement System or returned to the general fund.

**Section 5.** Allows the Alaska Retirement Management Board to determine the percentage rate that employer contributions to the Public Employees' Retirement System are based on.

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**Section 6.** Adds a requirement that, notwithstanding subsection (i), proposed in section 7 of the bill, the annual employer contribution rate may not be less than the rate sufficient to cover payment of employer contributions required for both the defined contribution plan of the Public Employee's Retirement System and for the teachers' and public employees' health reimbursement arrangement plan trust fund as required by the defined benefit plan of the Public Employees' Retirement System.

**Section 7.** Requires that the rate used to calculate employer contributions under section 5 of the bill may not exceed 22 percent when the assets of the Public Employees' Retirement System of Alaska and the pension reserve fund, combined, are equal to or greater than 60 percent of the total of that system's liabilities.

**Section 8.** Eliminates a reference to AS 39.35.280, in connection to retiree medical benefits, because AS 39.35.280 would be repealed by section 9 of the bill.

**Section 9.** Repeals AS 39.35.280, a law that requires the state to annually contribute money to the past service liability of the Public Employees' Retirement System in addition to the contributions the state makes to the system as an employer.

**Section 10.** This section would make the bill effective on June 30, 2012.

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