

LEGAL SERVICES

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MEMORANDUM

February 25, 2014

SUBJECT: Sectional Summary
(Work Order No. 28-LS0726\U; CSHB 247())

TO: Representative Lindsey Holmes
Attn: Grace Abbott

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 and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Sec. 1. Requires the Alaska Retirement Management Board, in some circumstances, to authorize a monthly cost-of-living allowance for protective occupation employees who first participate in the defined benefit retirement plan of the Public Employees' Retirement System (PERS defined benefit plan) after June 30, 2006.

Sec. 2. Defines "protective occupation employee."

Sec. 3. Establishes the Protective Occupation Retirement Council (council) in the Department of Administration, with members appointed by the governor; provides that members of the council are entitled to per diem and travel expenses; and provides that the council's duties are to advise the Alaska Retirement Management Board on matters that affect the retirement benefits of protective occupation employees, determine the amount of an assumed variable benefit that sec. 11 of the bill adds to the retirement benefit paid to retired protective occupation employees first hired after June 30, 2006, and reduce the amount of a stipend payable under sec. 24 of the bill to retired protective occupation employees first hired after June 30, 2006. In addition, sec. 3 provides that the council may enter into contracts for actuarial services, and, for protective occupation employees hired after June 30, 2006, establish rates for employee contributions to the PERS defined benefit plan. Sec. 3 also defines "protective occupation employee."

Sec. 4. Expands the PERS defined benefit plan to include protective occupation employees who are hired after June 30, 2006.

Sec. 5. Excepts protective occupation employees hired after June 30, 2006, from the requirement that peace officers and firefighters contribute seven and one-half percent of their compensation to the PERS defined benefit plan, and removes language that has been moved to new subsection AS 39.35.160(g), relating to the procedures employers follow in deducting contributions to the plan by peace officers and firefighters.

Sec. 6. Establishes rates for contributions to the defined benefit plan by protective occupation employees hired after June 30, 2006, providing that peace officers and firefighters pay a higher rate, initially, than protective occupation employees hired after June 30, 2006, who are not peace officers or firefighters. Also, sec. 6 provides that contribution rates for protective occupation employees hired after June 30, 2006, may be adjusted from time to time by the Protective Occupation Employees' Council, except rates based on overtime compensation earned by peace officers and firefighters are fixed at nine percent. And, as noted above in this summary, sec. 6. moves language from AS 39.35.160(a) to proposed new subsection AS 39.35.160(g).

Sec. 7. Provides that the employer contributions required under AS 39.35.255 are required in addition to employer contributions proposed in sec. 6 of the bill.

Sec. 8. Establishes rates for contributions to the defined benefit plan by the employers of protective occupation employees hired after June 30, 2006. Requires that employers pay a higher rate for those protective occupation employees who are peace officers or firefighters, and a lower rate for those employees who are not. Sec. 8 requires employers to make two contributions for each protective occupation employee hired after June 30, 2006 -- a contribution to the defined benefit plan based on the employee's compensation excluding overtime, and a contribution (14 percent of the employee's overtime compensation alone) to the employee's individual account in the *defined contribution* retirement plan established under AS 39.35.700 - 39.35.990 of the Public Employees' Retirement System (PERS defined contribution plan).

Secs. 9 and 10. Add language to AS 39.35.70(a) and (b), respectively, conforming those subsections to new subsections 39.35.370(l), (m), and (n) proposed by sec. 11 of the bill.

Sec. 11. Establishes ages at which protective occupation employees hired after June 30, 2006, are eligible for normal retirement under the PERS defined benefit plan, and the amount of the monthly benefit. The monthly benefit includes an assumed variable benefit determined by the council.

Sec. 12. Conforms the calculation of a public service benefit under AS 39.35.375(c), to accommodate the bill's proposed addition of 39.35.370(m).

Sec. 13. Conforms the calculation of a conditional service retirement benefit under AS 39.35.375(c), to accommodate the bill's proposed addition of 39.35.370(m).

Sec. 14. Provides that the monthly amount of a nonoccupational disability benefit under the PERS defined benefit plan for disabled employees who first became plan members after June 30, 2006, shall be determined in accordance with proposed subsections 39.35.370(m) and 39.35.370(n); calculation of the monthly amount for disabled employees who first became members before July 1, 2006, are not changed by this bill section.

Sec. 15. Provides that at the time a disabled protective employee's nonoccupational disability benefit under the PERS defined benefit plan terminates because of the employee's eligibility for normal retirement, retirement benefits will be calculated under the bill's proposed 39.35.370(m).

Sec. 16. Conforms AS 39.35.410(h) to the bill's provisions that make the PERS defined benefit plan applicable to protective occupation employees hired after June 30, 2006.

Sec. 17. Conforms to the bill an existing law that provides that a peace officer or firefighter who first becomes a member of the PERS defined benefit plan before July 1, 2006, may choose between two ways of calculating retirement benefits.

Sec. 18. Provides that a peace officer or firefighter who first becomes a member of the PERS defined benefit plan after June 30, 2006, may choose between two ways of calculating retirement benefits.

Secs. 19 and 20. Conform existing law sections to provisions in the bill that allow protective occupation employees first hired after June 30, 2006, to participate in the PERS defined benefit plan.

Sec. 21. Provides that a terminated employee who first becomes a member of the PERS defined benefit plan after June 30, 2006, is not eligible to receive a post-retirement pension adjustment under AS 39.35.475.

Sec. 22. Provides that protective occupation employees who first become members of the PERS defined benefit plan after June 30, 2006, are entitled to receive a cost-of-living allowance that is authorized by the Alaska Retirement Management Board as proposed in sec. 1 of the bill.

Sec. 23. Conforms an existing law section to provisions in the bill that allow protective occupation employees first hired after June 30, 2006, to participate in the PERS defined benefit plan.

Sec. 24. Provides for annual stipends for the purchase of medical insurance to be paid to disabled and non-disabled protective occupation employee retirees who first become members of the PERS defined benefit plan after June 30, 2006.

Sec. 25. Requires the council to adjust the stipends payable under provisions proposed by sec. 24 of the bill.

Sec. 26. Provides that an existing law limiting participation in the PERS defined benefit plan by employers who previously terminated participation in the plan does not apply when the termination was for one or more protective occupation employee positions.

Sec. 27. Conforms the definition of "employer" in the PERS defined benefit plan to provisions in the bill that allow protective occupation employees first hired after June 30, 2006, to participate in the PERS defined benefit plan.

Sec. 28. Conforms the definition of "normal retirement" in the PERS defined benefit plan to provisions in the bill that allow protective occupation employees first hired after June 30, 2006, to participate in the PERS defined benefit plan.

Sec. 29. Defines "protective occupation employee" in the PERS defined benefit plan.

Sec. 30. Expands the PERS defined contribution plan to include certain protective occupation employees who are hired after June 30, 2006.

Sec. 31. Limits the scope of the PERS defined contribution plan's applicability with regard to protective occupation employees who contribute to an individual account under the plan solely as required by sec. 39.35.257, proposed in sec. 8 of the bill.

Sec. 32. Conforms the PERS defined contribution plan to provisions in the bill that allow protective occupation employees first hired after June 30, 2006, to participate in the PERS defined benefit plan.

Sec. 33. Conforms the PERS defined contribution plan to provisions in the bill that allow protective occupation employees first hired after June 30, 2006, to participate in the PERS defined benefit plan.

Sec. 34. Exempts contributions made to an individual account under the PERS defined contribution plan, solely as required by sec. 39.35.257 proposed in sec. 8 of the bill, from employer contribution requirements in the PERS defined contribution plan.

Sec. 35. Provides that, except in limited circumstances, a protective occupation employee who contributes to an individual account under the PERS defined contribution plan, solely as required by sec. 39.35.257 proposed in sec. 8 of the bill, is not eligible for retirement benefits under the PERS defined contribution plan.

Sec. 36. Provides that, except in limited circumstances, a protective occupation employee who contributes to an individual account under the PERS defined contribution plan, solely as required by sec. 39.35.257 proposed in sec. 8 of the bill, is not eligible for medical benefits under the PERS defined contribution plan.

Sec. 37. Defines "protective occupation employee" in the PERS defined contribution plan.

Sec. 38. Adds uncodified law regarding initial appointments to the Protective Occupation Retirement Council.

Sec. 39. Allows protective occupation employees who were first hired after June 30, 2006, but before the bill's effective date to elect to participate in the PERS defined benefit plan and transfer PERS defined contribution plan assets into the PERS defined benefit plan.

Sec. 40. Establishes a procedure for the election and asset transfer under sec. 39 of the bill.

Sec. 41. Requires the commissioner of administration to adopt regulations to implement changes made by the bill.

Sec. 42. Provides that all but two sections of the bill take effect immediately.

Sec. 43. Provides that two sections of the bill take effect July 1, 2014.