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Wayne
4/17/14

SENATE CS FOR HOUSE BILL NO. 385(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL
FOR AN ACT ENTITLED

1 **"An Act relating to the past service liabilities of the defined benefit plan in the teachers'**
2 **retirement system and the defined benefit plan in the public employees' retirement**
3 **system; and providing for an effective date."**

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 *** Section 1.** AS 37.10.220(a) is amended to read:

6 (a) The board shall

7 (1) hold regular and special meetings at the call of the chair or of at
8 least five members; meetings are open to the public, and the board shall keep a full
9 record of all its proceedings;

10 (2) after reviewing recommendations from the Department of
11 Revenue, adopt investment policies for each of the funds entrusted to the board;

12 (3) determine the appropriate investment objectives for the defined
13 benefit plans established under the teachers' retirement system under AS 14.25 and the
14 public employees' retirement system under AS 39.35;

1 (4) assist in prescribing the policies for the proper operation of the
2 systems and take other actions necessary to carry out the intent and purpose of the
3 systems in accordance with AS 37.10.210 - 37.10.390;

4 (5) provide a range of investment options and establish the rules by
5 which participants can direct their investments among those options with respect to
6 accounts established under

7 (A) AS 14.25.340 - 14.25.350 (teachers' retirement system
8 defined contribution individual accounts);

9 (B) AS 39.30.150 - 39.30.180 (State of Alaska Supplementary
10 Annuity Plan);

11 (C) AS 39.35.730 - 39.35.750 (public employees' retirement
12 system defined contribution individual accounts); and

13 (D) AS 39.45.010 - 39.45.060 (public employees' deferred
14 compensation program);

15 (6) establish the rate of interest that shall be annually credited to each
16 member's individual contribution account in accordance with AS 14.25.145 and
17 AS 39.35.100 and the rate of interest that shall be annually credited to each member's
18 account in the health reimbursement arrangement plan under AS 39.30.300 -
19 39.30.495; the rate of interest shall be adopted on the basis of the probable effective
20 rate of interest on a long-term basis, and the rate may be changed from time to time;

21 (7) adopt a contribution surcharge as necessary under AS 39.35.160(c);

22 (8) coordinate with the retirement system administrator to have an
23 annual actuarial valuation of each retirement system prepared to determine system
24 assets, accrued liabilities, and funding ratios and to certify to the appropriate
25 budgetary authority of each employer in the system

26 (A) an appropriate contribution rate for normal costs; and

27 (B) an appropriate contribution rate for liquidating any past
28 service liability; in this subparagraph, the appropriate contribution rate
29 for liquidating the past service liability of the defined benefit retirement
30 plan under AS 14.25.009 - 14.25.220 or the past service liability of the
31 defined benefit retirement plan under AS 39.35.095 - 39.35.680 must be

determined by a level percent of pay method based on amortization of the past service liability for a closed term of 25 years;

(9) review actuarial assumptions prepared and certified by a member of the American Academy of Actuaries and conduct experience analyses of the retirement systems not less than once every four years, except for health cost assumptions, which shall be reviewed annually; the results of all actuarial assumptions prepared under this paragraph shall be reviewed and certified by a second member of the American Academy of Actuaries before presentation to the board;

(10) contract for an independent audit of the state's actuary not less than once every four years;

(11) contract for an independent audit of the state's performance consultant not less than once every four years;

(12) obtain an external performance review to evaluate the investment policies of each fund entrusted to the board and report the results of the review to the appropriate fund fiduciary;

(13) by the first day of each regular legislative session, report to the governor, the legislature, and the individual employers participating in the state's retirement systems on the financial condition of the systems in regard to

- (A) the valuation of trust fund assets and liabilities;
- (B) current investment policies adopted by the board;
- (C) a summary of assets held in trust listed by the categories of investment;
- (D) the income and expenditures for the previous fiscal year;
- (E) the return projections for the next calendar year;
- (F) one-year, three-year, five-year, and 10-year investment performance for each of the funds entrusted to the board; and
- (G) other statistical data necessary for a proper understanding of the financial status of the systems;

(14) submit quarterly updates of the investment performance reports to the Legislative Budget and Audit Committee;

(15) develop an annual operating budget; and

1 (16) administer pension forfeitures required under AS 37.10.310 using
2 the procedures of AS 44.62 (Administrative Procedure Act).

3 * **Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to
4 read:

5 **TRANSITION: REINITIALIZE AMORTIZATION OF PAST SERVICE LIABILITY**
6 **OF RETIREMENT SYSTEMS.** The Alaska Retirement Management Board shall, based on a
7 level percent of pay method, reinitialize the amortization of the past service liability of

8 (1) the defined benefit retirement plan under AS 14.25.009 - 14.25.220 for a
9 term beginning July 1, 2014, and ending June 30, 2039;

10 (2) the defined benefit retirement plan under AS 39.35.095 - 39.35.680 for a
11 term beginning July 1, 2014, and ending June 30, 2039.

12 * **Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to
13 read:

14 **RETROACTIVITY.** Sections 1 and 2 of this Act are retroactive to April 21, 2014.

15 * **Sec. 4.** This Act takes effect immediately under AS 01.10.070(c).