



Representative Sam Kito

Alaska State Legislature

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Sectional Analysis

House Bill 83

“An Act relating to new defined benefit tiers in the public employees' retirement system and the teachers' retirement system; providing certain employees an opportunity to choose between the defined benefit and defined contribution plans of the public employees' retirement system and the teachers' retirement system; and providing for an effective date.”

Sections 1 and 2 Clarify that the Teachers Retirement System (TRS) defined benefit (DB) statutes apply only to employees who participate in the DB plan and did not convert to defined contribution (DC). No employee can participate in both the DB and DC plans. Sec. 1 also puts all TRS employers on an equal footing by requiring them to offer new employees the choice between DB and DC systems.

Sections 3 and 4 Set employee contributions for the new DB tier at eight percent of pay, while leaving prior tier employees' contributions unchanged.

Sections 5 and 6 Require a person receiving disability benefits under the DB tiers to seek work and receive a medical examination. Sets limits on the frequency of the exams.

Section 7 Closes the Tier II DB health plan to new hires and those DC members who choose to convert to the new TRS DB tier.

Section 8 Establishes the eligibility standard for retiree medical benefits in the new TRS DB tier. In the new DB tier, a member with 25 years of service may receive medical benefits partially paid by the system at any age. A member without 25 years must have at least eight years of service and be eligible for Medicare. Disabled members also get system-paid medical benefits.

A TRS DB retiree who does not meet those qualifications can buy health care coverage from the system, but must pay the full cost of premiums.

Establishes a premium share schedule for retirees to pay a portion of their health insurance and requires actuarial adjustments to keep the pre-funding rate of the new DB tier no higher than the cost of the DC plan.

Sets vesting rules for the premium share percentages so that the schedule can change during an employee's working life, but is fixed at the date of retirement.

Section 9 Clarifies that the TRS DC statutes apply only to employees who participate in the DC plan and did not convert to DB. No employees can participate in both the DB and DC plans.

Section 10 Puts all TRS employers on an equal footing by requiring them to offer new employees the choice between DB and DC.

Section 11 Gives a newly hired teacher the choice between DB and DC systems. This is a one-time irrevocable choice. Sets timeframes and rules for the process.

Section 12 Clarifies that the Public Employee Retirement System (PERS) DB statutes apply only to employees who participate in the DB plan and did not convert to DC. No employee can participate in both the DB and DC plans. This section also puts all PERS employers on an equal footing by requiring them to offer new employees the choice between DB and DC systems.

Section 13 Sets the same minimum wage threshold for elected officials in the new DB tier as the 2004 reforms implemented for prior tiers.

Sections 14 and 15 Set employee contributions for the new PERS DB tier at eight percent of pay, while leaving prior tier employees' contributions unchanged.

Sections 16 and 17 Require a person receiving disability benefits under the PERS DB tiers to seek work and receive a medical examination. Sets limits on the frequency of the exams.

Section 18 Establishes an eligibility standard for retiree medical benefits in the new PERS DB tier. In the new DB tier, a peace officer or firefighter with 25 years of service may receive medical benefits partially paid by the system at any age. A peace officer or firefighter who does not have 25 years of service must be eligible for Medicare and have at least 10 years. Other PERS employees require 30 years of service to get medical benefits partially paid by the system unless they are Medicare eligible, in which case they require a minimum of 10 years. Disabled members also get system-paid medical benefits.

A PERS DB retiree who does not meet those qualifications can buy health care coverage from the system, but must pay the full cost of premiums.

Establishes a premium share schedule for retirees to pay a portion of their health insurance and requires actuarial adjustments to keep the pre-funding rate of the new DB tier no higher than the cost of the DC plan.

Sets vesting rules for the premium share percentages so that the schedule can change during an employee's working life, but is fixed at the date of retirement.

Sections 19 and 20 Put all PERS employers on an equal footing by allowing employers that return to PERS after terminating participation to hire employees the same way other PERS employers do, and allows employees to earn service credits in the appropriate tier when working for those employers.

Section 21 Clarifies that the PERS DC statutes apply only to employees who participate in the DC plan and did not convert to DB. No employees can participate in both the DB and DC plans.

Section 22 Puts all PERS employers on an equal footing by requiring them to offer new employees the choice between DB and DC systems.

Section 23 Gives a newly hired public employee the choice between DB and DC systems. This is a one-time irrevocable choice. Sets timeframes and rules for the process.

Section 24 Repeals sections that let non-vested employees convert from DB to DC and required employers to match the funds transferred dollar for dollar. Repeals sections related to political subdivisions that participate only in the DC plan. Repeals a requirement that DB employees who refunded contributions from the system and return to work after July 1, 2010 participate only in the DC plan. (Such employees will thus be treated as new hires.)

Section 25 Gives employees hired into the TRS and PERS DC plans who have not refunded out of those plans a 90-day period from the effective date of the bill to irrevocably convert into the new DB tier. Contributions move from the DC plan to the DB plan trust if they make the switch.

Section 26 Sets the procedure for the conversion election in Sec. 25 and allows the administrator to adopt regulations related to the conversion. The choice to convert is irrevocable, and certain information must be provided to the employee. An employee who transfers receives credited service in the defined benefit plan equal to the value of the employee's DC account. If that amount is insufficient to 'buy' the employee's actual service time, the employee may create an indebtedness to purchase the difference. If the employee's individual account has an excess, the difference is transferred into the Supplemental Benefits System or a comparable account, in keeping with federal tax law.

Section 27 Allows the Commissioner of Administration to adopt regulations to implement and make specific the bill's provisions.

Section 28 Is an immediate effective date for sections 26 and 27 of the bill.

Section 29 Makes the bill effective July 1, 2017, except as provided in Sec. 28.