

# Senate Bill 88

## Additional Data



*Senate Labor and Commerce*  
*Senator Cathy Giessel*  
*March 29, 2023*

# Alaska Retirement Management Board

*March 16-17, 2023 Board Meeting*

## Div. Of Retirement & Benefits Supplement to the Treasury Report

- Over last 7 months, withdrawals of TRS DC and PERS DC are approximately \$62 million dollars
- 90% of these withdrawals came after 5 years, or 100% vesting
- On average \$12.4 million/month is being withdrawn from the DC systems
- Hundreds of millions of dollars are leaving the system and potentially the state each year

# Alaska Retirement Management Board (ARMB) Schedule of Non-Investment Changes By Fund

## ALASKA RETIREMENT MANAGEMENT BOARD SCHEDULE OF NON-INVESTMENT CHANGES BY FUND (Supplement to the Treasury Division Report) For the Seven Months Ending January 31, 2023

### PARTICIPANT DIRECTED DISBURSEMENTS BY PLAN AND TYPE

Type	PERS DCR Plan	TRS DCR Plan	Supplemental Annuity Plan	Deferred Compensation	TOTAL	% of Total
Payment to Beneficiary	\$ 151,031	\$ 2,582	\$ 577,993	\$ 159,991	\$ 891,597	0.3%
Death Benefit	1,495,951	718,906	7,598,035	2,336,717	12,149,609	4.3%
Disability / Hardship	3,115	-	48,223	198,746	250,084	0.1%
Minimum Required Distribution	128,069	62,714	10,973,521	4,370,787	15,535,091	5.5%
Deminimus Acct Balance Distribution	-	-	-	4,856	4,856	0.0%
Qualified Domestic Relations Order	1,002,290	44,279	2,325,425	99,695	3,471,689	1.2%
Separation from Service / Retirement	47,806,411 *	15,126,867 *	125,976,100	38,882,266	227,791,644	80.1%
Purchase of Service Credit	10,390,551 *	1,493,575 *	2,447,301	24,862	14,356,289	5.1%
59-½ In-service Distribution	-	-	-	1,037,381	1,037,381	0.4%
Qualified Birth / Adoption Expense	-	-	-	22,627	22,627	0.0%
CARES Act Distributions	-	-	-	-	-	0.0%
DCR to DB Conversion	7,101,829 *	1,308,317 *	-	-	8,410,146	3.0%
TOTAL	\$ 68,079,247	\$ 18,757,240	\$ 149,946,598	\$ 47,137,928	\$ 283,921,013	100.0%

\* Employer distributions sent to the DB plan are shown as "DCR to DB Conversion". Employee funds sent to the DB plan are included with "Purchase of Service Credit". Excess employee money sent to employee after conversion are included in "Separation from Service".

This report is only for the previous 7 months

But, it shows that \$227 million was withdrawn from the system. It shows withdrawals of PERS DC, TRS DC, Supplemental Annuity (SBS) and Deferred Compensation (voluntary)

Withdrawals from the TRS DC and PERS DC plans alone were north of \$62 million dollars

A very interesting and notable point is that 90% of these withdrawals came after 5 years, or 100% vested. People waited to leave until they could take all of their employer contributions?

### PERS & TRS PARTICIPANT DIRECTED DISBURSEMENTS BY PLAN AND VESTED PERCENTAGE

Vesting	PERS DCR Plan	TRS DCR Plan	TOTAL	% of Total
100% Vested	\$ 62,385,184	\$ 16,452,889	\$ 78,838,073	90.7%
75% Vested	1,064,359	811,555	1,875,914	2.2%
50% Vested	1,408,813	461,232	1,870,045	2.2%
25% Vested	1,136,679	499,981	1,636,660	1.9%
0% Vested	2,084,212	531,583	2,615,795	3.0%
TOTAL	\$ 68,079,247	\$ 18,757,240	\$ 86,836,487	100.0%

### DEFINED BENEFIT REFUNDS BY PLAN, TIER, CONTRIBUTION TYPE AND VESTED STATUS

Contribution Type	PERS DB Pension Plan				TRS DB Pension Plan			JRS	TOTAL
	Tier 1	Tier 2	Tier 3	Total	Tier 1	Tier 2	Total	DB Pension Plan	DB Pension Plan
Mandatory Vested	\$ 30,829	\$ 638,049	\$ 1,002,442	\$ 1,671,320	\$ -	\$ 83,465	\$ 83,465	\$ -	\$ 1,754,785.00
Mandatory Non-Vested	107,694	172,848	471,736	752,278	222,034	600,419	822,453	-	1,574,731
Geographic Differential	-	142,534	62,514	205,048	-	-	-	-	205,048
Voluntary Full	211,010	924,533	1,115,387	2,250,930	-	-	-	-	2,250,930
Indebtedness, Lagging & Partial	14,050	83,347	174,949	272,346	-	54,310	54,310	-	326,656
TOTAL	\$ 363,583	\$ 1,961,311	\$ 2,827,028	\$ 5,151,922	\$ 222,034	\$ 738,194	\$ 960,228	\$ -	\$ 6,112,150

# Return to Social Security?

## Legislative Research Report (Jan. 2011)

- PERS return to Social Security considered
- Alaska must alter its “Section 218” agreement with the Social Security Administration
- All employees must be allowed to vote
- High complexity to replace Supplemental Benefit System (SBS) with equivalent value Social Security

### LEGISLATIVE RESEARCH REPORT

JANUARY 27, 2011



REPORT NUMBER 11.096

#### RETURNING ALASKA STATE EMPLOYEES TO SOCIAL SECURITY COVERAGE

BY CHUCK BURNHAM, LEGISLATIVE ANALYST

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You asked us to examine the costs and consequences of returning the Alaska state employees who are members of the Public Employees' Retirement System Tier IV defined contribution retirement plan to coverage under the federal Social Security program. Specifically, you were interested in the impact of making those employees eligible for Social Security's "Old-Age, Survivors, and Disability Insurance" benefits.

# Return to Social Security?

## *In summary*

**VERY  
DIFFICULT!**

- Even with actuarial assessment of equivalency it would likely be left to courts to determine amounts
- The consistent message is extending Social Security to current non-covered employees raises overall cost of retirement plans substantially

# Supplemental Benefit System (SBS)

## aka Alaska Supplemental Annuity Plan

- **Created by the State to replace Social Security**
- **Most School Districts and Municipalities did not join SBS**
- **Therefore, large number of Public Employees are without either SS or SBS**



# Supplemental Benefit System (SBS)

## aka Alaska Supplemental Annuity Plan

- Defined Contribution plan is governed by Section 401(a) of the Internal Revenue Code
- A portion of the employee wages (6.13%) and a matching employer contribution are made pre-tax to this Plan, instead of contributions to Social Security
- Employees of the State of Alaska and 23 municipalities have elected to be in the plan
- Although the SBS is a supplemental plan, all eligible employees are automatically enrolled in the SBS plan on the date of their hiring

# Health Reimbursement Arrangement (HRA)

- A HRA must be funded solely by an employer per IRS (969)
- Not paid through voluntary salary reduction agreement on the part of employee
- Employee pays no federal taxes or employment taxes on money put in HRA by employer
- Used tax free for qualified medical expenses, not included in employee's income
- Unused amounts can be carried forward for years



## **Other questions**

- **Members in both PERS & TRS**
- **Combine PERS from one state with Alaska's**
- **Retire before 65 – insurance coverage**
- **Combine past Pension & Health to level them**

## **Safeguards in place**

- **Protect against downside risk**
- **Triggers to increase contributions**
- **Suspend or decrease benefits if needed**
- **Conservative rate of return**

# **Cost Savings**

- **Retain employees**
- **Save recruitment costs – lost revenue**
- **Save onboarding costs – lost revenue**
- **Retain experience & knowledge**

# Senate Bill 88

## CHALLENGE

Alaska's  
Recruitment and  
Retention Crisis

## CAUSE

Alaska withdrew  
from DB retirement  
system in 2005

## SOLUTION

A retirement plan w/  
reasonable costs and  
fair benefits

## Summary

Alaska has a strong interest in ensuring quality public servants fill the ranks of our public service agencies

# THANK YOU



## Questions?

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