

Alaska State Legislature

Senator Cathy Giessel
Senate Majority Leader
Co-Chair, Senate Resources
Senate District E



120 4th Street
Alaska State Capitol, Room 427
Juneau, AK 99801
907-465-4843

SENATE BILL 88

Retirement Systems; Defined Benefit Opt.

SECTIONAL ANALYSIS

- Section 1:** Establishes applicability of the state's TRS Defined Benefit (DB) plans to teachers who are not members of the TRS Defined Contribution (DC) plan.
- Section 2:** Provides that new teachers are subject to the new TRS DB plan and that a teacher who was a member of the TRS DC plan will not be subject to the new TRS DB plan unless the teacher elects to participate in the new plan before November 1, 2024.
- Section 3:** Conforming to address that only members of previous TRS DB tiers could receive credit for retroactive membership as a teacher of Alaska Native language and culture.
- Section 4:** Conforming to address that only members of previous TRS DB tiers could receive credit for retroactive membership as a teacher of Alaska Native language and culture and could count that time as membership service.
- Section 5:** Creates an exception to the 8.65% contribution rate for the new TRS DB plan under later subsection (e) and deletes the employer's required process for obtaining the employee's contribution through payroll deduction, which is re-established under later subsection (f).
- Section 6:** Adds a new subsection (e) establishing the employee contribution rate under the new TRS DB plan as 8.0% of the employee's base salary for the first year. Thereafter, the plan may be variable 8%-10% as adjusted by the ARM Board. Also establishes new subsection (f) providing the employer's required process for obtaining employee contributions through payroll deduction.
- Section 7:** Establishes a qualifier to the TRS DB employer contribution rate of 12.56% of the total of all base salaries paid by the employer under later subsection (i).
- Section 8:** References an additional stipulated employee contribution rate mandated by law for the new TRS DB plan under later subsection (i).

- Section 9:** Provides that the employer contribution rate of 12.56% of the total of all base salaries of teachers applies to the new TRS DB plan, except that the rate may be decreased by the ARM Board, but only when the system is not experiencing a past service cost (unfunded liability), and only to a minimum “floor” of 12% of the total monthly base salaries of the new TRS DB plan members. If the ARM Board increases the percentage above 12%, it must coincide with a concurrent increase to the employee contribution rate.
- Section 10:** Conforming to list retroactive indebtedness credit under AS 14.25.061, repealed by this Act, as one of the credited service types for which the employer may make payments through payroll deduction.
- Section 11:** Conforming to list retroactive indebtedness credit under AS 14.25.061, repealed by this Act, as one of the credited service types eligible for irrevocable election for payroll deduction.
- Section 12:** Conforming to list retroactive indebtedness credit under AS 14.25.061, repealed by this Act, as one of the credited service types that, upon satisfaction of the indebtedness, the member’s service history will be credited and adjusted.
- Section 13:** Requires that employer contributions for retiree major medical insurance and the Health Reimbursement Arrangement Plan must be accounted for separately and deposited into their respective trust accounts.
- Section 14:** Conforming to address qualifications for retirement benefits under the prior TRS DB tiers.
- Section 15:** Conforming to provide the calculation for retirement benefits under the prior TRS DB tiers.
- Section 16:** Adds new subsections establishing the new TRS DB plan qualifications for retirement benefits is age 60, with at least five years of membership service, or 30 total years of membership service. Also provides that the benefit calculation will be: 2% of the average base salary for the first 10 years of service, 2.25% of the average base salary for years 10 through 20 years of service, and 2.5% of the average base salary beyond 20 years of service.
- Section 17:** Conforming to address qualifications for a permanent disability pension under the prior TRS DB tiers.
- Section 18:** Provides the circumstances and benefit calculations for certain disability benefits under the new TRS DB plan. The nonoccupational disability benefit is based on the amount of the normal retirement benefit under AS 14.25.110(o) given the membership service and base salary. The occupational disability benefit is 40% of the disabled member’s base salary. Members receiving occupational or nonoccupational disability benefits are required to enroll in a vocational rehabilitation program, if eligible. When a member receiving an occupational disability benefit dies before reaching the age of retirement, the survivor receives 40% of the member’s base salary; at the date the member would have reached normal retirement, the benefit is adjusted to match the normal retirement benefit.

- Section 19:** Eliminates the 10% cost-of-living adjustment for the new TRS DB plan.
- Section 20:** Modifies the post retirement pension adjustment (PRPA) to apply in the circumstance when a TRS DB retiree is below the age of 60 but has been receiving benefits for five years instead of eight years.
- Section 21:** Conforming to provide an exception to the PRPA calculation under later subsection (g).
- Section 22:** Provides that the death benefits under the new TRS DB plan that are subject to the PRPA.
- Section 23:** Authorizes the ARM Board to decrease or eliminate the PRPA if the past service cost (unfunded liability) of the new TRS DB plan attributable to the members of the new plan rises greater than 10%.
- Section 24:** Conforming to ensure certain nonoccupational death benefits under the prior TRS DB tiers remain assigned to the members of those plans.
- Section 25:** Provides for a nonoccupational death benefit under the circumstances of the member's death either prior to or upon vesting. For a vested member, surviving spouse takes either 50% of the joint and survivor option or the balance of deceased member's contribution account and a lump sum amount of \$100 times membership service plus \$1,000.
- Section 26:** Conforming to ensure certain occupational death benefits under the prior TRS DB tiers remain assigned to the members of those plans.
- Section 27:** Ensures certain occupational death benefits established under prior TRS DB tiers are not payable if certain benefits are payable under the new TRS DB plan.
- Section 28:** Conforming to ensure certain occupational death benefits under the prior TRS DB tiers remain assigned to the members of those plans.
- Section 29:** Provides for an occupational death benefit; the survivor receives 40% of the member's base salary; at the date the member would have reached normal retirement, the benefit is adjusted to match the normal retirement benefit.
- Section 30:** Ensures certain survivor allowances established under prior TRS DB tiers are not payable if certain benefits are payable under the new TRS DB plan.
- Section 31:** Ensures the spousal pension established under prior TRS DB tiers are not payable if certain benefits are payable under the new TRS DB plan.
- Section 32:** Provides that the established joint and survivor benefit may be taken in place of death benefits under the new TRS DB plan.

- Section 33:** Provides that, under the joint and survivor option, when the death of member occurs during reemployment and the death is not occupational the benefits earned are subject to the nonoccupational death benefit under AS 14.25.156, and when the death is occupational, the benefits are subject to the occupational death benefit under AS 14.25.158.
- Section 34:** Conforming to establish an exception under AS 14.25.171 to the major medical coverage provided under prior TRS DB tiers.
- Section 35:** Ensures that where provisions of TRS DB plans would create duplicate benefits due to the teacher or the teacher's spouse's membership, an option for a benefit must be elected, but creates an exception if the benefit is for a nonoccupational or occupational death, those benefits are paid in addition to others.
- Section 36:** Establishes the medical benefit for members of the new TRS DB plan that, if elected and applied for, provides access to retiree major medical insurance which supplements Medicare at the age of 65, and provides access to the retiree's monetary account under the Health Reimbursement Arrangement Plan of AS 39.30.300. This section also establishes that, a retiree may use the Health Reimbursement Arrangement Plan funds to pay the cost of premiums to continue medical insurance coverage. The cost of the premiums before age 65 are the full monthly cost for group premiums; the cost of the premium for retirees at the age of 65 who are eligible for Medicare is scaled depending on number of service years.
- Section 37:** Conforming to provide the definition for "average base salary" under prior TRS DB tiers and defines the "average base salary" for teachers in the new TRS DB plan. The average base salary as used in the new TRS DB plan is based on the average of the member's highest five consecutive base salaries; the definition also restricts the applicability of the average base salary to service years for which compensation was received for at least 2/3 of the year.
- Section 38:** Conforming to provide the definition for "vested member" or "vested teacher" under prior TRS DB tiers and defines "vested member" or "vested teacher" under the new TRS DB plan. A vested member under the new TRS DB plan is a teacher who has completed five years of membership service.
- Section 39:** Provides the definitions for "nonoccupational disability" and "occupational disability" as used in the new TRS DB plan.
- Section 40:** Conforming applicability provision to ensure the provisions of the TRS DC plan applies only to DC plan members who do not elect membership in the new TRS DB plan and those who previously transferred into the DC plan.
- Section 41:** Ensures that an employer whose employees currently belong to the TRS DC plan is required to participate in the new TRS DB plan.
- Section 42:** Conforming membership provision to ensure the TRS DC plan members include those who do not elect membership in the new TRS DB plan.

- Section 43:** Ensures that the employer contribution rate under AS 14.25.070(i) does not apply to contributions by employers to TRS DC plan member retirement accounts, retiree major medical coverage, the Health Reimbursement Arrangement Plan, or as actuarially required to fully fund occupational disability and death benefits.
- Section 44:** Modifies current law to ensure that the State may not amend the TRS DC plan in a way that would violate Article XII, Section 7 of the Alaska Constitution, which prevents diminishment or impairment of accrued retirement benefits, or federal law.
- Section 45:** Modifies current law to ensure that the State may not retroactively reduce accrued benefits of the TRS DC plan except as permitted by Article XII, Section 7 of the Alaska Constitution, which prevents diminishment or impairment of accrued retirement benefits, and federal law.
- Section 46:** Modifies current law to ensure that, while the state may terminate the TRS DC plan, it may not do so in a way that would violate Article XII, Section 7 of the Alaska Constitution, which prevents diminishment or impairment of accrued retirement benefits, or federal law.
- Section 47:** Rephrases current law to assign the plan administrator the directive to return a mistaken employer contribution under the TRS DC plan to the employer within a year of its discovery.
- Section 48:** Empowers the ARM Board to work with the plan administrator to obtain an actuarial valuation to determine the appropriate monthly contribution rates under AS 14.25.070(i) and AS 39.35.255(j), addressing the employer contribution rate under the new TRS DB plan and new PERS DB plan, respectively, as well as appropriate adjustments under AS 14.25.050(e) and AS 39.35.160(e) and (f), addressing the 8-10% variable employee contribution rate for the new TRS DB plan and the new PERS DB plan, respectively. This section also empowers the ARM Board to assign the employer contribution rates under AS 14.25.070(i) and AS 39.35.255(j).
- Section 49:** Gives discretion to the ARM Board to adjust the amount of the PRPA under AS 14.25.143 and AS 39.35.475, for the new TRS DB plan and new PERS DB plan, respectively. This section also allows the ARM Board to adjust the amount of the variable 8%-10% employee contribution rates under AS 14.25.050(e) and AS 39.35.160(e) and (f), for the new TRS DB plan and new PERS DB plan, respectively.
- Section 50:** Conforming to ensure that, in addition to the other existing state retirement plans, the Department of Administration is empowered to obtain group insurance policies for retirees entitled to medical coverage for the new TRS DB plan and new PERS DB plan.
- Section 51:** Conforming to authorize the commissioner of the Department of Administration to prefund retiree major medical benefits by establishing an irrevocable trust for the state retirement plans, including for the new TRS DB plan and new PERS DB plan.

- Section 52:** Conforming to authorize the commissioner of the Department of Administration to prefund retiree benefits under the Health Reimbursement Arrangement Plan by establishing an irrevocable trust for the state retirement plans, including for the new TRS DB plan and new PERS DB plan.
- Section 53:** Amends current law to ensure that the current State of Alaska Teachers' and Public Employees' Retiree Health Reimbursement Arrangement Plan is available to the member of the new TRS DB plan and new PERS DB plan.
- Section 54:** Conforming to provide that, in addition to existing members of the TRS and PERS DC tiers, that members of the new TRS DB plan and new PERS DB plan who terminate employment before meeting retirement eligibility requirements loses rights to the contributions made by the employer to the Health Reimbursement Arrangement trust fund, excepting that, if the person returns to service by December 31 of the year the person reaches 65 years of age, then the person's account balance will be restored.
- Section 55:** Conforming to provide that, in addition to existing members of the TRS and PERS DC tiers, that members of the new TRS DB plan and new PERS DB plan are eligible for reimbursements from their Health Reimbursement Arrangement individual accounts.
- Section 56:** Conforming to provide that, in addition to existing members of the TRS and PERS DC tiers, that members of the new TRS DB plan and new PERS DB plan who elected retiree major medical insurance coverage may have deductions made from their Health Reimbursement Arrangement individual accounts to pay for their monthly premiums.
- Section 57:** Modifies current law to ensure that the State may not amend the Health Reimbursement Arrangement coverage in a way that would violate Article XII, Section 7 of the Alaska Constitution, which prevents diminishment or impairment of accrued retirement benefits, and federal law.
- Section 58:** Modifies current law to ensure that the State may not retroactively reduce accrued benefits of the Health Reimbursement Arrangement coverage except as permitted by Article XII, Section 7 of the Alaska Constitution, which prevents diminishment or impairment of accrued retirement benefits, and federal law.
- Section 59:** Modifies current law to ensure that, while the state may terminate the Health Reimbursement Arrangement coverage, it may not do so in a way that would violate Article XII, Section 7 of the Alaska Constitution, which prevents diminishment or impairment of accrued retirement benefits, and federal law.
- Section 60:** Rephrases current law to assign the plan administrator the directive to return a mistaken employer contribution under the TRS and PERS DC tiers, the new TRS DB plan, and new PERS DB plan Health Reimbursement Arrangement Plan to the employer within a year of its discovery.
- Section 61:** Conforming to ensure the definition of "eligible person" for the Health Reimbursement Arrangement Plan includes members of the new TRS DB plan and new PERS DB plan who elect the coverage.

- Section 62:** Establishes applicability of the state’s PERS Defined Benefit (DB) plans to employees who are not members of the PES Defined Contribution (DC) plan, including those who elected out of the PERS DC plan into the new PERS DB plan by November 1, 2024, as well as new employees.
- Section 63:** Creates exceptions to the contribution rates of 7.5% for police and firefighters and 6.75% for other employees for the new PERS DB plan, under later subsections (e) and (f), and deletes the employer’s required process for obtaining the employee’s contribution through payroll deduction, which is re-established under later subsection (g).
- Section 64:** Adds new subsections (e) for police and firefighters and (f) for other state employees establishing the employee contribution rate under the new PERS DB plan is 8.0% of the employee’s base salary for the first year. Thereafter, the plan may be variable 8%-10% as adjusted by the ARM Board. Also establishes new subsection (g) providing the employer’s required process for obtaining employee contributions through payroll deduction.
- Section 65:** Establishes a qualifier to the PERS DB employer contribution rate of 22% of the total of all base salaries paid by the employer under later subsection (j).
- Section 66:** References an additional stipulated employee contribution rate mandated by law for the new PERS DB plan under later subsection (j).
- Section 67:** Provides that when a retired member is rehired, the employer shall include that member’s base salary in the employer’s contribution calculation.
- Section 68:** Provides that the employer contribution rate of 22% of the total of all base salaries of employees applies to the new PERS DB plan, except that the rate may be decreased by the ARM Board, but only when the system is not experiencing a past service cost (unfunded liability), and only to a minimum “floor” of 12% of the total monthly compensation of the new PERS DB plan members. If the ARM Board increases the percentage above 12%, it must coincide with a concurrent increase to the employee contribution rate.
- Section 69:** Requires that employer contributions for retiree major medical insurance and the Health Reimbursement Arrangement Plan must be accounted for separately and deposited into their respective trust accounts.
- Section 70:** Conforming to provide the calculation for retirement benefits under the prior PERS DB tiers.
- Section 71:** Adds new subsections establishing the new PERS DB plan qualifications for retirement benefits are: Age 60, with at least five years of credited service; age 55 for a peace officer or firefighter, with at least 20 of credited service; age 50 for a peace officer or firefighter, with at least 25 years of credited service; or at least 30 years of credited service.

- Section 72:** Conforming to disallow benefits under the Health Reimbursement Arrangement Plan to an elected public officer who retired as a teacher under a TRS DB plan who opts the alternate benefit for elected public officers under AS 39.35.381.
- Section 73:** Conforming to provide an exception to the post retirement pension adjustment (PRPA) calculation under later subsection (g).
- Section 74:** Authorizes the ARM Board to decrease or eliminate the PRPA if the past service cost (unfunded liability) of the new PERS DB plan attributable to the members of the new plan rises greater than 10%.
- Section 75:** Eliminates the 10% cost-of-living adjustment for the new PERS DB plan.
- Section 76:** Conforming to establish an exception under later subsection (g) to the major medical coverage provided under prior PERS DB tiers.
- Section 77:** Conforming to exclude members of the new PERS DB plan the election of major medical coverage provided under prior PERS DB tiers.
- Section 78:** Establishes that members of the new PERS DB plan is not eligible for major medical coverage provided under prior PERS DB tiers but may elect medical benefits under AS 39.35.537, addressing the medical benefits of the new PERS DB plan.
- Section 79:** Establishes the medical benefit for members of the new PERS DB plan that, if elected and applied for, provides access to retiree major medical insurance which supplements Medicare at the age of 65, and provides access to the retiree's monetary account under the Health Reimbursement Arrangement Plan of AS 39.30.300. This section also establishes that, a retiree may use the Health Reimbursement Arrangement Plan funds to pay the cost of premiums to continue medical insurance coverage. The cost of the premiums before age 65 are the full monthly cost for group premiums; the cost of the premium for retirees at the age of 65 who are eligible for Medicare is scaled depending on number of service years.
- Section 80:** Conforming to align the prior PERS Tier III DB plan definition of "average monthly compensation," which is based on the employee's highest five consecutive years of pay, to apply to the new PERS DB plan.
- Section 81:** Conforming the definition of "normal retirement" to include members of the new PERS DB plan under AS 39.35.370, addressing age and credited service requirements.
- Section 82:** Conforming applicability provision to ensure the provisions of the PERS DC plan applies only to DC plan members who do not elect membership in the new PERS DB plan and those who previously transferred into the DC plan.
- Section 83:** Ensures that an employer whose employees currently belong to the PERS DC plan is required to participate in the new PERS DB plan.
- Section 84:** Conforming membership provision to ensure the PERS DC plan members include those who do not elect membership in the new PERS DB plan.

- Section 85:** Ensures that the employer contribution rate under AS 39.35.255(j) does not apply to contributions by employers to PERS DC plan member retirement accounts, retiree major medical coverage, the Health Reimbursement Arrangement Plan, or as actuarially required to fully fund occupational disability and death benefits.
- Section 86:** Modifies current law to ensure that the State may not amend the PERS DC plan in a way that would violate Article XII, Section 7 of the Alaska Constitution, which prevents diminishment or impairment of accrued retirement benefits, or federal law.
- Section 87:** Modifies current law to ensure that the State may not retroactively reduce accrued benefits of the PERS DC plan except as permitted by Article XII, Section 7 of the Alaska Constitution, which prevents diminishment or impairment of accrued retirement benefits, and federal law.
- Section 88:** Modifies current law to ensure that, while the state may terminate the PERS DC plan, it may not do so in a way that would violate Article XII, Section 7 of the Alaska Constitution, which prevents diminishment or impairment of accrued retirement benefits, or federal law.
- Section 89:** Rephrases current law to assign the plan administrator the directive to return a mistaken employer contribution under the PERS DC plan to the employer within a year of its discovery.
- Section 90:** Repeals AS 14.25.012 regarding effective dates of prior TRS DB tiers; AS 14.25.061, regarding retroactive indebtedness for prior TRS DB tiers; AS 14.25.540, concerning transfer into the TRS DC tier by members of the previous TRS DB tier; and AS 39.35.940 concerning transfer into the PERS DC tier by members of the previous PERS DB tier.
- Section 91:** Provides uncodified transitional law allowing members of the TRS and PERS DC tiers to transfer in to the new TRS and PERS DB plans. The employees must elect the transfer with four months of the effective date of the Act, by November 1, 2024, and must transfer all of the employee and employer contributions of the DC account into the new DB plan, which is used to purchase credited service in the new DB plan.
- Section 92:** Provides uncodified transitional law regarding the procedure for TRS and PERS DC members who elect to transfer into the new DB plan. The election must be in writing and the plan administrator must provide the member with information on the new DB plan, including calculations that illustrate the effect of transferring membership on the employee's retirement benefits.

The election is irrevocable and the membership in the new DB plan is retroactive to the date of hire. The member's credited service in the new DB plan will be the actuarial equivalent of the value of the member's former DC contributions, and the plan administrator must complete the transfer within 60 days that the employee submits the employee's election forms.

The plan administrator must transfer an amount equal to the decrease in the accrued actuarial liability of the DC plan to the pension fund of the new DB plan. The plan administrator also must transfer an amount equal to the increase in the accrued actuarial liability of the DB health care trust from the health care trust established for the DC plan to the health care trust established for the new DB plan.

If the value of the employee's DC contributions are insufficient to fund service credit equal the employee's actual service time, the employee may purchase indebtedness to eliminate the insufficiency. If the value of the employee's DC contributions exceed the amount needed to equal the employee's actual service time, the excess value is retained in the employee's DC account. The amount of service that may be purchased is determined on the employee's accrued actuarial liability of pension benefits.

Actuarial assumptions must be based on the most recent actuarial valuation of the corresponding DB plan, except that rates of retirement must be computed at 25% of the retirement rates of the most recent actuarial valuation for that pension trust, plus 75% of the rates of retirement used in the most recent actuarial valuation for the corresponding DC retirement plan.

Section 93: Authorizes the ARM Board and the commissioner of the Department of Administration to adopt regulations necessary to implement the Act.

Section 94: Regulation authority has immediate effective date.

Section 95: The Act takes effect July 1, 2024.