

**CS FOR HOUSE BILL NO. 375(FIN)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered: 4/27/06

Referred: Rules

Sponsor(s): HOUSE SPECIAL COMMITTEE ON WAYS AND MEANS

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act establishing the teachers' retirement system past service cost liability account  
2 in the Department of Revenue; establishing the public employees' retirement system  
3 past service cost liability account in the Department of Revenue; and providing for an  
4 effective date."

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

6 \* **Section 1.** AS 37.10 is amended by adding new sections to read:

7 **Article 4A. Teachers' and Public Employees' Retirement System Past Service Cost**  
8 **Liability Accounts.**

9 **Sec. 37.10.200. Teachers' retirement system past service cost liability**  
10 **account.** (a) There is established in the Department of Revenue the teachers'  
11 retirement system past service cost liability account, consisting of appropriations to  
12 the account. The commissioner of revenue shall develop and adopt regulations  
13 necessary to accomplish the requirements of this section and shall manage the account  
14 according to the requirements of AS 37.10.071.

1 (b) At the end of each fiscal year, after all distributions under (c) of this  
2 section are completed, money appropriated for use in that fiscal year reverts to the  
3 general fund and all income earned on the money shall be paid to the general fund.

4 (c) During each fiscal year, the commissioner of revenue shall distribute from  
5 the account established in (a) of this section, to each employer other than the state that  
6 is a member of the Teachers' Retirement System of Alaska, a payment in the amount  
7 the commissioner of revenue anticipates the employer will pay to the state for that  
8 fiscal year toward eliminating the employer's past service cost liability to the Teachers'  
9 Retirement System of Alaska.

10 (d) A payment to an employer under (c) of this section must be based on 85  
11 percent of the payroll on which employer contributions to the Teachers' Retirement  
12 System of Alaska were required and that the employer reported to the Department of  
13 Administration for the fiscal year preceding by three fiscal years the fiscal year for  
14 which a distribution is made under this section, and the past service cost rate of the  
15 system for the fiscal year preceding by three fiscal years the fiscal year for which a  
16 distribution is made under this section.

17 (e) For any fiscal year that the money available for distribution from the  
18 account is insufficient to pay every eligible employer the amount due under this  
19 section, the amount distributed in that fiscal year to every eligible employer shall be  
20 decreased pro rata.

21 (f) An employer who receives an overpayment in excess of a distribution  
22 authorized by this section or in excess of the employer's past service cost liability shall  
23 immediately return the overpayment to the commissioner of revenue, who shall cause  
24 it to be returned to the account.

25 **Sec. 37.10.202. Public employees' retirement system past service cost**  
26 **liability account.** (a) There is established in the Department of Revenue the public  
27 employees' retirement system past service cost liability account, consisting of  
28 appropriations to the account. The commissioner of revenue shall develop and adopt  
29 regulations necessary to accomplish the requirements of this section and shall manage  
30 the account according to the requirements of AS 37.10.071.

31 (b) At the end of each fiscal year, after all distributions under (c) and (d) of

1 this section are completed, money appropriated for use in that fiscal year reverts to the  
2 general fund and all income earned on the money shall be paid to the general fund.

3 (c) During each fiscal year, the commissioner of revenue shall distribute from  
4 the account established in (a) of this section, to each municipal employer or school  
5 district employer member of the Public Employees' Retirement System of Alaska, a  
6 payment in the amount the commissioner of revenue anticipates the employer will pay  
7 to the state for that fiscal year toward eliminating the employer's past service cost  
8 liability to the Public Employees' Retirement System of Alaska.

9 (d) A payment to an employer under (c) of this section must be based on the  
10 payroll on which employer contributions to the Public Employees' Retirement System  
11 of Alaska were required and that the employer reported to the Department of  
12 Administration for the fiscal year preceding by three fiscal years the fiscal year for  
13 which a distribution is made under (c) of this section and 85 percent of the employer's  
14 past service cost rate during the fiscal year that precedes the distribution fiscal year  
15 under (c) of this section by three fiscal years.

16 (e) In addition to the distribution under (c) of this section, an employer that  
17 paid to the Public Employees' Retirement System of Alaska in excess of the amount  
18 the employer was required to pay for the fiscal year preceding by three fiscal years the  
19 fiscal year that a distribution is made under this section shall receive, in unrestricted  
20 funds, an incentive distribution from the account in an amount equal to 50 percent of  
21 the excess.

22 (f) For any fiscal year that the money available for distribution from the  
23 account is insufficient to pay every eligible employer the amount due under this  
24 section, the amount distributed in that fiscal year to every eligible employer shall be  
25 decreased pro rata.

26 (g) An employer who receives an overpayment in excess of a distribution or  
27 incentive distribution authorized by this section shall immediately return the  
28 overpayment to the commissioner of revenue, who shall cause it to be returned to the  
29 account.

30 **Sec. 37.10.204. Definitions.** In AS 37.10.200 - AS 37.10.204,

31 (1) "average past service cost rate" means the average of the past

1 service cost rate of all employers as reported by the state's actuary for the fiscal year  
2 preceding by three fiscal years the fiscal year for which a distribution is made under  
3 AS 37.10.200 or AS 37.10.202;

4 (2) "past service cost rate" means the annual payment required to  
5 eliminate an employer's unfunded liability over the amortization period, divided by the  
6 payroll for which employer contributions are required and that is reported by the  
7 employer to the Department of Administration for the fiscal year preceding by three  
8 fiscal years the fiscal year that a distribution is made under AS 37.10.200 or  
9 AS 37.10.202.

10 \* **Sec. 2.** This Act takes effect July 1, 2006.