

CS FOR HOUSE BILL NO. 375(FIN) am

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Amended: 5/1/06

Offered: 4/27/06

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 that the
7 employer shall pay to the state for that fiscal year toward eliminating the employer's
8 past service cost liability to the Teachers' Retirement System of Alaska.

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

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

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

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

30 (b) At the end of each fiscal year, after all distributions under (c) and (d) of
31 this section are completed, money appropriated for use in that fiscal year reverts to the

1 general fund and all income earned on the money shall be paid to the general fund.

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

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

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

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

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

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

30 (1) "average past service cost rate" means the average of the past
31 service cost rate of all employers as reported by the state's actuary for the fiscal year

1 preceding by three fiscal years the fiscal year for which a distribution is made under
2 AS 37.10.200 or AS 37.10.202;

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

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