

**HOUSE BILL NO. 492**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE BY REQUEST

Introduced: 3/15/06

Referred: House Special Committee on Ways and Means, Finance

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to the transfer of the state's interest in certain gas to the Alaska**  
2 **Retirement Management Board for the purpose of satisfying the unfunded accrued**  
3 **actuarial liability of the state and employers of teachers in the state to state retirement**  
4 **systems; and providing for an effective date."**

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

6 \* **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section  
7 to read:

8 LEGISLATIVE FINDINGS AND INTENT. (a) The legislature finds that

9 (1) art. XII, sec. 7, Constitution of the State of Alaska, requires that accrued  
10 benefits in employee retirement systems may not be diminished or impaired;

11 (2) as of June 30, 2004, the unfunded liability of the state and employers of  
12 teachers to state retirement systems was approximately \$5,000,000,000;

13 (3) the contributions for an employer with employees participating in either  
14 the public employees' retirement system or the teachers' retirement system include a rate

1 required for the current contribution plus an additional rate for the unfunded accrued actuarial  
2 liability of the system;

3 (4) the contribution rate for the unfunded accrued actuarial liability of each  
4 system varies with the amount of the unfunded liability and creates an unknown financial  
5 burden on the state, the University of Alaska, and school districts in the state;

6 (5) while this Act may not fully fund the future actuarial liability of the state  
7 and employers of teachers to state retirement systems as it accrues, it will help employers to  
8 satisfy the obligations to retirees and allow for reasonable rates of contribution; and

9 (6) the transfer of certain natural gas interests of the state to the Alaska  
10 Retirement Management Board as an asset to secure the funding of what is now the unfunded  
11 liability of the state and employers of teachers to state retirement systems ensures compliance  
12 with the mandate of art. XII, sec. 7, Constitution of the State of Alaska, reduces the ongoing  
13 liability of employers to satisfy the unfunded liability, and is in the best interests of the state,  
14 the University of Alaska, and school districts in the state.

15 (b) It is the intent of the legislature that the value of the natural gas interests  
16 transferred to the Alaska Retirement Management Board will equal the amount of the  
17 presently unfunded accrued actuarial liabilities of the state and employers of teachers to state  
18 retirement systems and reduce the ongoing financial burden on the state and employers of  
19 teachers that contribute to the accrued liability of these retirement systems.

20 \* **Sec. 2.** AS 14.25.070 is amended by adding a new subsection to read:

21 (d) The employer contribution rate in (b) and (c) of this section shall be  
22 determined by taking into consideration the gas interests transferred to the Alaska  
23 Retirement Management Board under AS 38.95.310 and the allocation of the lease  
24 rentals, royalties, royalty sale proceeds, net profit shares, and other receipts related to  
25 the gas interests.

26 \* **Sec. 3.** AS 37.10.220(a) is amended by adding new paragraphs to read:

27 (16) separately account for the interest in and amounts obtained from  
28 management of the gas interests transferred to the board under AS 38.95.310;

29 (17) equitably allocate lease rentals, royalties, royalty sale proceeds,  
30 net profit shares, and other receipts related to the gas interests transferred to the board  
31 under AS 38.95.310 to the liabilities of the state and each employer of teachers taking

1 into consideration the effort of each employer to meet the employer's obligation to  
 2 fund the unfunded accrued actuarial liability, for the purpose of reducing the unfunded  
 3 accrued actuarial liability of each system;

4 (18) determine the value of the gas interests transferred to the board  
 5 under AS 38.95.310 at the time of transfer; and

6 (19) submit an annual report to the Legislative Budget and Audit  
 7 Committee stating the unfunded accrued actuarial liability of the state and employers  
 8 of teachers to state retirement systems and the effect of the transfer of the gas interests  
 9 to the board under AS 38.95.310 on those liabilities.

10 \* **Sec. 4.** AS 38.95 is amended by adding new sections to read:

11 **Article 8. Gas Transfers to the Alaska Retirement Management Board.**

12 **Sec. 38.95.310. Transfer of gas interests to the Alaska Retirement**  
 13 **Management Board.** (a) Subject to (b) of this section and in consultation with the  
 14 board, the commissioner shall identify and transfer the state's interests in gas  
 15 underlying state land having a value equal to \$5,000,000,000 and a reasonable  
 16 expectation of development to the board for the purpose of satisfying the unfunded  
 17 accrued actuarial liability of the state and employers of teachers to state retirement  
 18 systems.

19 (b) The interests of the state transferred under (a) of this section do not include  
 20 the required contributions to the Alaska permanent fund under art. IX, sec. 15,  
 21 Constitution of the State of Alaska, or to the public school trust fund under  
 22 AS 37.14.150 from the mineral lease rentals, royalties, royalty sale proceeds, net profit  
 23 shares, and other receipts related to the gas interests.

24 (c) An interest in gas transferred in (a) of this section is subject to any valid  
 25 possessory interest or other valid existing right, including any lease, and sec. 6(i) of  
 26 the Alaska Statehood Act (P.L. 85-508, 72 Stat. 339).

27 (d) The commissioner shall manage the gas interests transferred under (a) of  
 28 this section on behalf of the board in the manner provided for leasing gas resources  
 29 under AS 38.05.180 and shall make the required contributions to the funds identified  
 30 in (b) of this section. The board shall reimburse the department for the management  
 31 costs incurred under this section.

1 (e) After finding that the unfunded accrued actuarial liability of the state and  
 2 employers of teachers to state retirement systems has been satisfied or reduced to an  
 3 amount that can be satisfied through a reasonable rate of contribution, the board shall  
 4 transfer the gas interests received under (a) of this section to the commissioner.

5 **Sec. 38.95.315. Valuation of the transferred gas interests.** The board, in  
 6 consultation with the commissioner, shall, within one year after the date of transfer,  
 7 determine the value of the gas interests transferred to the board at the time of transfer.

8 **Sec. 38.95.320. Definitions.** In AS 38.95.310 - 38.95.320,

9 (1) "board" means the Alaska Retirement Management Board  
 10 established under AS 37.10.210;

11 (2) "commissioner" means the commissioner of natural resources;

12 (3) "department" means the Department of Natural Resources;

13 (4) "gas" has the meaning given in AS 43.55.900;

14 (5) "teacher" has the meaning given in AS 14.25.220.

15 \* **Sec. 5.** AS 39.35.270 is amended by adding a new subsection to read:

16 (d) The employer contribution rate for the state in (b) and (c) of this section  
 17 shall be determined by taking into consideration the gas interest transferred to the  
 18 Alaska Retirement Management Board under AS 38.95.310 and the allocation of the  
 19 lease rentals, royalties, royalty sale proceeds, net profit shares, and other receipts  
 20 related to the gas.

21 \* **Sec. 6.** The uncodified law of the State of Alaska is amended by adding a new section to  
 22 read:

23 EMPLOYER'S RATE OF CONTRIBUTION ATTRIBUTABLE TO THE  
 24 UNFUNDED LIABILITY OF A PLAN. That portion of the rate of contribution for the state  
 25 or an employer of teachers to a state retirement system or plan attributable to the unfunded  
 26 accrued actuarial liability may not be adjusted during the one-year period after the date of the  
 27 first transfer of gas interests under AS 38.95.310, enacted in sec. 4 of this Act.

28 \* **Sec. 7.** This Act takes effect July 1, 2006.