

SENATE BILL NO. 141

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY SENATORS ELLIS AND WIELECHOWSKI, Davis, Wagoner

Introduced: 1/17/12

Referred: State Affairs, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act creating the Alaska pension trust reserve fund; and providing for an effective
2 date."

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

4 * **Section 1.** AS 37.10.210(a) is amended to read:

5 (a) The Alaska Retirement Management Board is established in the
6 Department of Revenue. The board's primary mission is to serve as the trustee of the
7 assets of the state's retirement systems, the State of Alaska Supplemental Annuity Plan
8 [,] and the deferred compensation program for state employees, **the Alaska pension**
9 **trust reserve fund established under AS 39.14.900**, and the Alaska retiree health
10 care trusts established under AS 39.30.097. Consistent with standards of prudence, the
11 board has the fiduciary obligation to manage and invest these assets in a manner that is
12 sufficient to meet the liabilities and pension obligations of the systems, plan, program,
13 and trusts. The board may, with the approval of the commissioner of revenue and upon
14 agreement with the responsible fiduciary, manage and invest other state funds so long

1 as the activity does not interfere with the board's primary mission. In making
2 investments, the board shall exercise the powers and duties of a fiduciary of a state
3 fund under AS 37.10.071.

4 * **Sec. 2.** AS 37.10.220(a) is amended to read:

5 (a) The board shall

6 (1) hold regular and special meetings at the call of the chair or of at
7 least five members; meetings are open to the public, and the board shall keep a full
8 record of all its proceedings;

9 (2) after reviewing recommendations from the Department of
10 Revenue, adopt investment policies for each of the funds entrusted to the board;

11 (3) determine the appropriate investment objectives for the defined
12 benefit plans established under the teachers' retirement system under AS 14.25 and the
13 public employees' retirement system under AS 39.35;

14 (4) assist in prescribing the policies for the proper operation of the
15 systems and take other actions necessary to carry out the intent and purpose of the
16 systems in accordance with AS 37.10.210 - 37.10.390;

17 (5) provide a range of investment options and establish the rules by
18 which participants can direct their investments among those options with respect to
19 accounts established under

20 (A) AS 14.25.340 - 14.25.350 (teachers' retirement system
21 defined contribution individual accounts);

22 (B) AS 39.30.150 - 39.30.180 (State of Alaska Supplementary
23 Annuity Plan);

24 (C) AS 39.35.730 - 39.35.750 (public employees' retirement
25 system defined contribution individual accounts); and

26 (D) AS 39.45.010 - 39.45.060 (public employees' deferred
27 compensation program);

28 (6) establish the rate of interest that shall be annually credited to each
29 member's individual contribution account in accordance with AS 14.25.145 and
30 AS 39.35.100 and the rate of interest that shall be annually credited to each member's
31 account in the health reimbursement arrangement plan under AS 39.30.300 -

1 39.30.495; the rate of interest shall be adopted on the basis of the probable effective
2 rate of interest on a long-term basis, and the rate may be changed from time to time;

3 (7) adopt a contribution surcharge as necessary under AS 39.35.160(c);

4 (8) coordinate with the retirement system administrator to have an
5 annual actuarial valuation of each retirement system prepared to determine system
6 assets, accrued liabilities, and funding ratios and to certify to the appropriate
7 budgetary authority of each employer in the system

8 (A) an appropriate contribution rate for normal costs; and

9 (B) an appropriate contribution rate for liquidating any past
10 service liability;

11 (9) review actuarial assumptions prepared and certified by a member
12 of the American Academy of Actuaries and conduct experience analyses of the
13 retirement systems not less than once every four years, except for health cost
14 assumptions, which shall be reviewed annually; the results of all actuarial assumptions
15 prepared under this paragraph shall be reviewed and certified by a second member of
16 the American Academy of Actuaries before presentation to the board;

17 (10) contract for an independent audit of the state's actuary not less
18 than once every four years;

19 (11) contract for an independent audit of the state's performance
20 consultant not less than once every four years;

21 (12) obtain an external performance review to evaluate the investment
22 policies of each fund entrusted to the board and report the results of the review to the
23 appropriate fund fiduciary;

24 (13) by the first day of each regular legislative session, report to the
25 governor, the legislature, and the individual employers participating in the state's
26 retirement systems on the financial condition of the systems in regard to

27 (A) the valuation of trust fund assets and liabilities, **including**
28 **the results of the actuarial calculations made under (17) of this subsection;**

29 (B) current investment policies adopted by the board;

30 (C) a summary of assets held in trust listed by the categories of
31 investment;

- 1 (D) the income and expenditures for the previous fiscal year;
- 2 (E) the return projections for the next calendar year;
- 3 (F) one-year, three-year, five-year, and 10-year investment
- 4 performance for each of the funds entrusted to the board; and
- 5 (G) other statistical data necessary for a proper understanding
- 6 of the financial status of the systems;
- 7 (14) submit quarterly updates of the investment performance reports to
- 8 the Legislative Budget and Audit Committee;
- 9 (15) develop an annual operating budget; [AND]
- 10 (16) administer pension forfeitures required under AS 37.10.310 using
- 11 the procedures of AS 44.62 (Administrative Procedure Act); **and**
- 12 **(17) annually calculate, by independent actuarial assessment,**
- 13 **(A) the value of the assets of the Alaska pension trust**
- 14 **reserve fund (AS 37.14.900); and**
- 15 **(B) the ratio of assets to liabilities, including unfunded**
- 16 **liabilities, for**
- 17 **(i) the Public Employees' Retirement System of**
- 18 **Alaska;**
- 19 **(ii) the Teachers' Retirement System of Alaska.**

20 * **Sec. 3.** AS 37.14 is amended by adding new sections to read:

21 **Article 10. Alaska Pension Trust Reserve Fund.**

22 **Sec. 37.14.900. Alaska pension trust reserve fund established.** (a) The

23 Alaska pension trust reserve fund is established in the general fund. The fund consists

24 of money appropriated to the fund. Nothing in AS 37.14.900 - 37.14.990 creates a

25 dedicated fund.

26 (b) Money appropriated to the fund may be transferred as provided in

27 AS 37.14.920 without further appropriation. Money appropriated to the fund does not

28 lapse. The legislature may appropriate to the fund interest earned on money in the

29 fund.

30 **Sec. 37.14.910. Powers and duties of the Alaska Retirement Management**

31 **Board.** The Alaska Retirement Management Board shall manage the fund as required

1 under AS 37.10.210(a), subject to AS 37.14.900 - 37.14.990.

2 **Sec. 37.14.920. Use of fund.** (a) If the actuarial calculation made under
3 AS 37.10.220(a)(17)(B)(i) indicates that the ratio of assets to liabilities in the Public
4 Employees' Retirement System of Alaska is below 50 percent, the board shall transfer
5 from the Alaska pension trust reserve fund (AS 37.14.900) to the Public Employees'
6 Retirement System of Alaska an amount necessary to bring the ratio to 50 percent.

7 (b) If the actuarial calculation made under AS 37.10.220(a)(17)(B)(ii)
8 indicates that the ratio of assets to liabilities in the Teachers' Retirement System of
9 Alaska is below 50 percent, the board shall transfer from the Alaska pension trust
10 reserve fund (AS 37.14.900) to the Teachers' Retirement System of Alaska an amount
11 necessary to bring the ratio to 50 percent.

12 (c) If the actuarial calculation made under AS 37.10.220(a)(17)(A) indicates
13 that the assets of the Alaska pension trust reserve fund (AS 37.14.900) are not
14 sufficient to make the adjustments required under (a) and (b) of this section, the board
15 shall transfer the total assets of the fund to the Public Employees' Retirement System
16 of Alaska and Teachers' Retirement System of Alaska, apportioning the assets of the
17 Alaska pension trust reserve fund (AS 37.14.900) so as to bring the ratio of assets to
18 liabilities of each system as close to 50 percent as possible.

19 (d) If, based on the actuarial calculation made under AS 37.10.220(a)(17), the
20 board determines that the combined total value of the assets of the Public Employees'
21 Retirement System of Alaska, the Teachers' Retirement System of Alaska, and the
22 Alaska pension trust reserve fund (AS 37.14.900) exceeds 95 percent of the combined
23 total value of the liabilities calculated under AS 37.10.220(a)(17), and if the legislature
24 has appropriated money from the budget reserve fund (art. IX, sec. 17, Constitution of
25 the State of Alaska) to the Alaska pension trust reserve fund (AS 37.14.900) and the
26 amount appropriated has not yet been repaid to the budget reserve fund (art. IX, sec.
27 17, Constitution of the State of Alaska), the board shall transfer from the Alaska
28 pension trust reserve fund (AS 37.14.900) to the budget reserve fund (art. IX, sec. 17,
29 Constitution of the State of Alaska) an amount of money

30 (1) equal to the amount by which the combined total value of the assets
31 of the Public Employees' Retirement System of Alaska, the Teachers' Retirement

1 System of Alaska, and the Alaska pension trust reserve fund (AS 37.14.900) exceeds
2 95 percent of the total value of the liabilities calculated under AS 37.10.220(a)(17);
3 and

4 (2) that does not exceed the amount owed to the budget reserve fund
5 (art. IX, sec. 17, Constitution of the State of Alaska).

6 **Sec. 37.14.990. Definitions.** In AS 37.14.900 - 37.14.990, unless the context
7 otherwise requires,

8 (1) "board" means the Alaska Retirement Management Board;

9 (2) "fund" means the Alaska pension trust reserve fund established in
10 AS 37.14.900.

11 * **Sec. 4.** This Act takes effect June 30, 2012.