

SENATE CS FOR HOUSE BILL NO. 385(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered: 4/19/14

Referred: Today's Calendar

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the past service liabilities of the defined benefit plan in the teachers'**
2 **retirement system and the defined benefit plan in the public employees' retirement**
3 **system, and to excess assets of those plans on termination of the plans; and providing for**
4 **an effective date."**

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

6 * **Section 1.** AS 14.25.181(b) is amended to read:

7 (b) If, upon termination of the plan, all liabilities are satisfied, any excess
8 assets shall **be deposited in the general fund,** [REVERT TO THE EMPLOYERS AS
9 DETERMINED BY THE ADMINISTRATOR] subject to the approval of the
10 termination by the Internal Revenue Service.

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

12 (a) The board shall

13 (1) hold regular and special meetings at the call of the chair or of at
14 least five members; meetings are open to the public, and the board shall keep a full

1 record of all its proceedings;

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

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

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

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

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

15 (B) AS 39.30.150 - 39.30.180 (State of Alaska Supplementary
16 Annuity Plan);

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

19 (D) AS 39.45.010 - 39.45.060 (public employees' deferred
20 compensation program);

21 (6) establish the rate of interest that shall be annually credited to each
22 member's individual contribution account in accordance with AS 14.25.145 and
23 AS 39.35.100 and the rate of interest that shall be annually credited to each member's
24 account in the health reimbursement arrangement plan under AS 39.30.300 -
25 39.30.495; the rate of interest shall be adopted on the basis of the probable effective
26 rate of interest on a long-term basis, and the rate may be changed from time to time;

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

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

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

2 (B) an appropriate contribution rate for liquidating any past
 3 service liability; **in this subparagraph, the appropriate contribution rate**
 4 **for liquidating the past service liability of the defined benefit retirement**
 5 **plan under AS 14.25.009 - 14.25.220 or the past service liability of the**
 6 **defined benefit retirement plan under AS 39.35.095 - 39.35.680 must be**
 7 **determined by a level percent of pay method based on amortization of the**
 8 **past service liability for a closed term of 25 years;**

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

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

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

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

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

25 (A) the valuation of trust fund assets and liabilities;

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

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

29 (D) the income and expenditures for the previous fiscal year;

30 (E) the return projections for the next calendar year;

31 (F) one-year, three-year, five-year, and 10-year investment

1 performance for each of the funds entrusted to the board; and

2 (G) other statistical data necessary for a proper understanding
3 of the financial status of the systems;

4 (14) submit quarterly updates of the investment performance reports to
5 the Legislative Budget and Audit Committee;

6 (15) develop an annual operating budget; and

7 (16) administer pension forfeitures required under AS 37.10.310 using
8 the procedures of AS 44.62 (Administrative Procedure Act).

9 * **Sec. 3.** AS 39.35.115(e) is amended to read:

10 (e) If, upon termination of the plan, all liabilities are satisfied, any excess
11 assets shall **be deposited in the general fund** [REVERT TO THE EMPLOYERS AS
12 DETERMINED BY THE ADMINISTRATOR], subject to the approval of the
13 termination by the Internal Revenue Service.

14 * **Sec. 4.** The uncodified law of the State of Alaska is amended by adding a new section to
15 read:

16 TRANSITION: REINITIALIZE AMORTIZATION OF PAST SERVICE LIABILITY
17 OF RETIREMENT SYSTEMS. The Alaska Retirement Management Board shall, based on a
18 level percent of pay method, reinitialize the amortization of the past service liability of

19 (1) the defined benefit retirement plan under AS 14.25.009 - 14.25.220 for a
20 term beginning July 1, 2014, and ending June 30, 2039;

21 (2) the defined benefit retirement plan under AS 39.35.095 - 39.35.680 for a
22 term beginning July 1, 2014, and ending June 30, 2039.

23 * **Sec. 5.** The uncodified law of the State of Alaska is amended by adding a new section to
24 read:

25 RETROACTIVITY. Sections 2 and 4 of this Act are retroactive to April 21, 2014.

26 * **Sec. 6.** This Act takes effect immediately under AS 01.10.070(c).