

HOUSE BILL NO. 587

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Introduced: 4/28/92

Referred: State Affairs, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to employer and employee contributions to state retirement systems; and  
2 providing for an effective date."

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

4 \* Section 1. FINDINGS AND PURPOSE. (a) The legislature finds that

5 (1) the cost of providing benefits for employees in public retirement systems and their  
6 dependents has risen dramatically over the years;

7 (2) the state is anticipating times of restricted revenue in the near future and it is  
8 important to reduce the expenses to public employers; and

9 (3) currently employees contribute substantially less to support the state retirement  
10 systems than employers contribute.

11 (b) The purpose of this legislation is to require participants in state retirement systems to share  
12 equally with their employers in the cost of supporting the system.

13 \* Sec. 2. AS 14.25.050(a) is amended to read:

14 (a) Each [BEGINNING JANUARY 1, 1991, EACH] teacher who first joined the

1 system before July 1, 1992, shall contribute to the system an amount equal to 8.65 percent of  
2 the teacher's base salary accrued from July 1 to the following June 30. Members who first  
3 joined the system on or after July 1, 1992, shall contribute to the system an amount  
4 determined by multiplying the member's base salary accrued from July 1 to the following  
5 June 30 by the member's contribution rate determined under AS 14.25.070(c). The  
6 employer shall deduct the contribution from the teacher's salary at the end of each payroll period.  
7 The contributions shall be deducted from employee compensation before the computation of  
8 applicable federal taxes and shall be treated as employer contributions under 26 U.S.C. 414(h)(2).

9 \* Sec. 3. AS 14.25.060(d) is amended to read:

10 (d) If a member first joined the system on or after July 1, 1990, and before July 1,  
11 1992, and has military service or Alaska BIA service, the member's indebtedness shall be  
12 determined under (a) of this section except that the percentage multiplier is 8.65 percent. If a  
13 member first joined the system on or after July 1, 1992, the percentage multiplier is the  
14 contribution rate determined under AS 14.25.070(c).

15 \* Sec. 4. AS 14.25.070 is amended to read:

16 Sec. 14.25.070. CONTRIBUTIONS BY EMPLOYER. For teachers who first joined  
17 the system before July 1, 1992, an [AN] employer shall contribute to the system an amount  
18 equal to the percentage, as certified by the administrator, of the sum total of the base salaries of  
19 all those teachers that is required in addition to [TEACHER] contributions from those teachers  
20 to provide the benefits of this chapter times the sum total of the base salaries paid to those  
21 teachers by the employer.

22 \* Sec. 5. AS 14.25.070 is amended by adding new subsections to read:

23 (b) For members who first joined the system on or after July 1, 1992, an employer shall  
24 contribute to the system an amount equal to the employer's contribution rate determined under  
25 this subsection multiplied by the amount necessary to provide the benefits for those members  
26 under this chapter, as certified by the administrator plus the employer surcharge. The employer's  
27 contribution rate is determined by dividing the total base salaries paid to members who first  
28 joined the system on or after July 1, 1992, and who were employed by the employer during the  
29 year by the total base salaries paid by all the employers participating in the system during the  
30 year to those members and dividing that amount by two.

31 (c) For members who first joined the system on or after July 1, 1992, the member's

1 contribution rate is computed by dividing the amount of the employer's contribution for those  
2 members required under (b) of this section by the total of the base salaries paid by the employer  
3 to all those members during the year.

4 \* Sec. 6. AS 22.25.011 is amended to read:

5 Sec. 22.25.011. CONTRIBUTIONS. Each justice and judge appointed after July 1, 1978,  
6 and before July 1, 1992, shall contribute seven percent of the base annual salary received by  
7 the justice or judge to the judicial retirement system. Each justice or judge appointed on or  
8 after July 1, 1992, shall contribute an amount determined by multiplying the member's  
9 salary by the member's contribution rate computed under AS 22.25.046(b). Contributions  
10 shall be made for all creditable service under this chapter up to a maximum of 15 years. This  
11 contribution is made in the form of a deduction from compensation, and is made even if the  
12 compensation paid in cash to the justice or judge is reduced below the minimum prescribed by  
13 law. Each justice and judge is considered to consent to the deduction from compensation.  
14 Payment of compensation less the deduction constitutes a full discharge of all claims and  
15 demands for the services rendered by the justice or judge during the period covered by the  
16 payment, except as to the benefits provided for under this chapter. The contributions shall be  
17 credited to the judicial retirement fund established in accordance with AS 22.25.048.

18 \* Sec. 7. AS 22.25.046(b) is amended to read:

19 (b) The court system contribution rates [RATE] shall be the percentages [A  
20 PERCENTAGE] which, when applied to the covered compensation of all active members of the  
21 judicial retirement system, will generate sufficient money to support, along with contributions  
22 from members, the benefits of the judicial retirement system. For justices and judges  
23 appointed on or after July 1, 1992, the member's contribution rate shall be sufficient to  
24 raise an amount equal to one-half the amount needed to support benefits for those justices  
25 and judges. The member's contribution rate for those justices and judges shall be  
26 determined by dividing the amount needed to be raised from those members by the sum  
27 of the salaries paid to those members.

28 \* Sec. 8. AS 39.35.160(a) is amended to read:

29 (a) Each [BEGINNING JANUARY 1, 1987, EACH] peace officer or fire fighter who  
30 first joined the system before July 1, 1992, shall contribute to the system an amount equal to  
31 seven and one-half percent of the peace officer's or fire fighter's compensation. Each

1 [BEGINNING JANUARY 1, 1987, EACH] other employee who first joined the system before  
2 July 1, 1992, shall contribute to the system an amount equal to six and three-quarters percent of  
3 the employee's compensation. For peace officers and fire fighters or other employees who  
4 first joined the system on or after July 1, 1992, the amount of the contribution shall be  
5 determined using the appropriate employee contribution rate determined under  
6 AS 39.35.250(d) instead of the percentage stated above. The contributions shall be deducted  
7 by the employer at the end of each payroll period. The contributions shall be deducted from  
8 employee compensation before computation of applicable federal taxes, and the contributions  
9 shall be treated as employer contributions under 26 U.S.C. 414(h)(2).

10 \* Sec. 9. AS 39.35.250 is amended by adding a new subsection to read:

11 (d) The sum of the contributions from the employees of an employer who first joined the  
12 system on or after July 1, 1992, during a year shall equal the amount of the employer  
13 contribution attributable to those employees paid during that time. For peace officers and fire  
14 fighters who first joined the system on or after July 1, 1992, the peace officer and fire fighter  
15 contribution rate is equal to the amount of the employer contribution for those peace officers and  
16 fire fighters divided by the sum of the salaries that the employer paid to those peace officers and  
17 fire fighters during the year. For other employees who first joined the system on or after July 1,  
18 1992, the contribution rate for those employees is equal to the amount of the employer  
19 contribution for those employees divided by the sum of all salaries that the employer paid to  
20 those employees during the year.

21 \* Sec. 10. AS 39.35.340(b) is amended to read:

22 (b) In order to obtain credited service under this section, an employee shall make an  
23 election to do so and shall verify the period of military service. When eligibility for credited  
24 service for military service has been established, an indebtedness shall be determined as follows:  
25 (1) the employee's actual compensation, or the calculated annual compensation for those  
26 employees working less than 12 months, during the calendar year 1976 or the year in which an  
27 employee first becomes vested under this chapter, whichever is later, multiplied by (2) the  
28 number of years of military service credited under this section, and this product multiplied by  
29 (3) six percent for members who are first eligible to claim this military service before January 1,  
30 1987, or eight and one-half percent for members who are first eligible to claim this military  
31 service on or after January 1, 1987, and who first joined the system before July 1, 1992, or

1 the appropriate employee contribution rate determined under AS 39.35.250(d) for employees  
2 who first joined the system on or after July 1, 1992. Interest as prescribed by regulation  
3 accrues on this indebtedness beginning on July 1, 1977, or one year following the date a person  
4 first becomes vested, whichever is later. Any outstanding indebtedness that exists at the time a  
5 person is appointed to retirement will necessitate an actuarial adjustment to the benefits payable  
6 based upon that military service.

7 \* Sec. 11. AS 39.35.360(i) is amended to read:

8 (i) An employee who completes three years of credited service with an employer, for  
9 which the employee makes contributions required by this chapter, is entitled to credited service  
10 on a year-for-year basis for service credited in the Civil Service Retirement System, rendered as  
11 an employee of an Alaska Bureau of Indian Affairs (BIA) school, other than service as a teacher.  
12 Retroactive credited service under this section must be claimed before the employee retires. When  
13 eligibility for retroactive credited service under this section has been established, an indebtedness  
14 of the employee to the system shall be determined as follows: (1) the employee's actual annual  
15 compensation, or the calculated annual compensation for an employee who works fewer than 12  
16 months, for the most recent calendar year in which service is rendered to an employer before the  
17 calendar year in which the employee first becomes eligible to claim service under this subsection,  
18 multiplied by (2) the number of years of service in Alaska BIA schools that is credited under this  
19 subsection, and this product multiplied by (3) six percent for employees first eligible to claim this  
20 service before January 1, 1987, or eight and one-half percent for employees first eligible to claim  
21 this service on or after January 1, 1987, and who first joined the system before July 1, 1992,  
22 or the appropriate employee contribution rate determined under AS 39.35.250(d) for  
23 employees who first joined the system on or after July 1, 1992. Interest as prescribed by  
24 regulation accrues on the indebtedness beginning on the date the employee may first claim the  
25 retroactive credited service. Any outstanding indebtedness that exists at the time the employee  
26 retires requires an actuarial adjustment to the benefits that are based on retroactive credited  
27 service under this section. Service may not be claimed under this subsection and benefits may  
28 not be paid for service claimed under this subsection if the employee has, at any point in time,  
29 enough service credit in the Civil Service Retirement System to be eligible for a retirement  
30 benefit under that system.

31 \* Sec. 12. This Act takes effect July 1, 1992.