

COMMITTEE REPORT

HOUSE

(11)

FURTHER:

3/24/82

Date:

4/3/82

Mr. Speaker:

The Committee on FINANCE has had SSHE 639

"An Act relating to supplemental employee benefits; and providing for an effective date."

under consideration and (a-majority-of-the-committee)-(the-committee)-- reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for SSHB 639 (HC) w/ amendment same title
 new title
- and recommends individual rec.
- AND attaches a "Letter of Intent" New Fiscal Note #35.0
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

_____ Adm. Serv. - no Rec.

_____ Montgomery NR

CHAIRMAN

AMENDMENT

OFFERED IN THE HOUSE:

By: Finance Committee

To: CS SS

HOUSE BILL No. 639 (L&C)

SENATE BILL No. _____

PAGE: 1 1

LINE: 12

Change "may" to "shall".

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CS SSB639
Title An Act Relating to Supplemental Employee Benefits; and Providing for an Effective Date
Requested by _____ Date _____

II. FISCAL DETAIL

Agency Affected Administration - Division of Retirement & Benefits
Program Category Affected Centralized Administrative Services
BRU, Program, or Subprogram(s) Affected Retirement & Benefits
(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)
EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES						
100 RETIREMENT BENEFITS						
200 TRAVEL						
300 CONTRACTUAL		35.0				
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		35.0	-0-	-0-	-0-	-0-

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
VETERAN'S FUND						
FISH & GAME FUND						
HIGHWAY FUND						
AIRPORT FUND						
CAPITAL FUND						
PERS						

POSITIONS NONE

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

- Contractual costs include \$25 thousand for a one-time revision of the SBS annuity subsystem (data processing) and \$10 thousand for benefit consulting in drafting and implementing the required amendments to the Supplemental Annuity Plan.
- This bill would also result in some adverse impact on annuity earnings for all SBS participants because of the need for increased liquidity. Under current market conditions, it is estimated that earnings would drop by as much as 0.50%.

IV. DATE March 26, 1982 PREPARED BY Paul B. Arnoldt
AGENCY Division of Retirement & Benefits
Original: Legislative Finance PHONE 465-4460
Budget and Management

Original sponsor: Randolph

Offered: 3/24/82
Referred: Finance

1 IN THE HOUSE

BY THE LABOR AND
COMMERCE COMMITTEE

2 CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 639 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to supplemental employee benefits; and
7 providing for an effective date."

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

9 * Section 1. AS 39.30.150 is amended by adding a new subsection to read:

10 (d) Upon termination of employment by an employee, the amount held
11 on behalf of the employee in the supplemental benefits account estab-
12 lished under AS 39.30.160 may, on application of the employee, be paid
13 to the employee under the terms of the State of Alaska Supplemental
14 Annuity Plan.

15 * Sec. 2. The plan administrator of the State of Alaska Supplemental
16 Annuity Plan shall apply to the United States Internal Revenue Service for a
17 ruling that an amendment to the plan to allow participants to receive an
18 annuity benefit as provided in AS 39.30.150(d) at any age will not adversely
19 affect the deferral of taxes and, on receipt of a favorable ruling, shall
20 amend the plan in accordance with the provisions of this Act.

21 * Sec. 3. Section 1 of this Act takes effect on amendment of the plan by
22 the plan administrator after receipt of a favorable tax ruling by the United
23 States Internal Revenue Service.

24 * Sec. 4. Section 2 of this Act takes effect immediately in accordance
25 with AS 01.10.070(c).

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Original sponsor: Randolph

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Referred: Finance

BY THE LABOR AND
COMMERCE COMMITTEE

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IV. DATE March 26, 1982 PREPARED BY Paul B. Arnoldt
 AGENCY Division of Retirement & Benefits
 PHONE 455-4460
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named) Representative Randolph
 Office of the Governor (Keith Speckhard)

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CAPITAL FUND						
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IV. DATE March 22, 1982 PREPARED BY Paul B. Arnoldt
 AGENCY Division of Retirement & Benefits
 PHONE 465-4460
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named) Representative Randolph
 Office of the Governor (Keith Specking)

FACT SHEET
IN FAVOR OF
HOUSE BILL NO. 639

HOUSE BILL 639 IS DESIGNED TO ALLOW MAXIMUM FREEDOM OF CHOICE FOR STATE EMPLOYEES WITH REGARD TO THE MONEY THEY EARN. STATE EMPLOYEES OPTED OUT OF THE SOCIAL SECURITY PROGRAM IN JANUARY 1980 AND INSTEAD CHOSE TO USE MONEY FORMERLY CONTRIBUTED TO THAT PROGRAM TO CREATE A SUPPLEMENTAL BENEFITS SYSTEM. A MAJOR OPTION IN THAT SUPPLEMENTAL BENEFIT SYSTEM ALLOWED CONTRIBUTIONS TO AN ANNUITY PROGRAM.

WHEN THE SUPPLEMENTAL BENEFIT SYSTEM WAS DEvised, A PLAN WAS SUBMITTED TO THE INTERNAL REVENUE SERVICE WHICH SPELLED OUT THE TERMS OF THAT SYSTEM, INCLUDING THE CONDITIONS UNDER WHICH EMPLOYEES COULD WITHDRAW ANNUITY CONTRIBUTIONS UPON TERMINATION OF EMPLOYMENT. THAT PLAN CURRENTLY REQUIRES DISTRIBUTION OF THE ANNUITY'S CONTRIBUTION TO THE TERMINATING EMPLOYEE ONLY IF THE CUMULATIVE CONTRIBUTIONS ARE UNDER \$1,000. OTHERWISE, CONTRIBUTIONS CANNOT BE WITHDRAWN UNTIL AGE 55.

HOUSE BILL 639 WOULD ALLOW EACH INDIVIDUAL STATE EMPLOYEE TO CHOOSE WHETHER, UPON TERMINATION OF EMPLOYMENT, TO WITHDRAW THE AMOUNT HELD ON BEHALF OF THE EMPLOYEE IN THE SUPPLEMENTAL BENEFITS ACCOUNT. IF THE EMPLOYEE CHOSE TO WITHDRAW THE AMOUNT IN HIS ACCOUNT HE WOULD MAKE APPLICATION AND THOSE FUNDS COULD BE PAID TO HIM EITHER IN A LUMP SUM OR SPREAD OUT OVER A PERIOD OF TIME.

UNDER THE INTERNAL REVENUE CODE, EMPLOYEES WHO WITHDRAW THEIR SUPPLEMENTAL BENEFITS ACCOUNT UPON TERMINATION CAN SPREAD THAT AMOUNT OVER A 10-YEAR PERIOD TO REDUCE THE EFFECTS OF THE GRADUATED INCOME TAX. FURTHERMORE, THEY COULD ROLL THAT AMOUNT OF MONEY OVER INTO AN IRA ACCOUNT AND AVOID INCOME TAXES TO THAT EXTENT. IN ORDER TO ALLOW STATE EMPLOYEES THIS OPTION, THE PERS BOARD MUST AMEND THE SUPPLEMENTAL BENEFITS SYSTEM PLAN TO ALLOW FULL REFUNDS AND SUBMIT THAT PLAN TO THE INTERNAL REVENUE SERVICE FOR APPROVAL. HOUSE BILL 639 MANDATES THAT THAT BE ACCOMPLISHED.

THIS CONCEPT APPEARS TO HAVE THE OVERWHELMING SUPPORT OF STATE EMPLOYEES AND THE ALASKA PUBLIC EMPLOYEES ASSOCIATION. IN EARLY 1981, APEA REQUESTED THE PUBLIC EMPLOYEE'S RETIREMENT SYSTEM BOARD TO AMEND THE SBS PLAN DOCUMENT AND SUBMIT THAT AMENDMENT TO THE INTERNAL REVENUE SERVICE FOR APPROVAL SO THAT EMPLOYEES WOULD HAVE THE OPTION OF A LIMITLESS CASH-OUT ON TERMINATION. UNFORTUNATELY, THE BOARD DID NOT MAKE THE REQUEST.

BECAUSE HOUSE BILL 639 WOULD ALLOW STATE EMPLOYEES FREEDOM OF CHOICE WITH REGARD TO THIS MONEY, AND AN OPPORTUNITY TO INVEST IT IN A RETIREMENT FUND OF THEIR OWN CHOOSING, FAVORABLE ACTION ON THE BILL WILL BE IN THE BEST INTERESTS OF THE EMPLOYEES AND THE STATE.

Original sponsor: Randolph

Offered: 3/24/82
Referred: Finance

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COMMERCE COMMITTEE

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Introduced: 3/10/82
Referred: Labor & Commerce and
Finance

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BY RANDOLPH

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10 (d) Upon termination of employment by an employee, the amount
11 contributed by the employee that was used to purchase supplemental
12 annuities may be refunded to the employee on application by the employee.

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