

COMMITTEE REPORT  
SENATE

FURTHER:

4/10/86

Date 5/7/86

President

The Committee on FINANCE considered HB 406

Investment of funds from deferred compensation.

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

do pass

do pass with attached amendment(s)

replace with/or adopt SCS for HB 406 (FIN)

new title

same title and recommends DO PASS

and attached a "LETTER OF INTENT"

NEW FISCAL NOTE

reports it back without recommendation

recommends referral to \_\_\_\_\_

Committee

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS

~~Rick Halford~~  
Rick Halford  
Paul Truh  
Blissin  
Ferguson

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Co - Jan Fark  
Chairman

do pass  
Chairman recommendation

Q. 63  
5/8

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

REQUEST

Bill/Resolution No. SB HB 406 (Fin)  
 Title: "An Act relating to investment of funds . . ."  
 Sponsor: Rep. Boucher  
 Requestor: \_\_\_\_\_  
 Date of Request: \_\_\_\_\_

FISCAL DETAIL

Agency Affected: Commerce & Econ. Dev.  
 Program Category Affected: \_\_\_\_\_  
Public Protection  
 BRU, Program or Subprogram(s) Affected: \_\_\_\_\_  
 Banking, Securities and Corporations

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>	-0-	-0-	-0-	-0-	-0-	-0-

<b>CAPITAL</b>						
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<b>REVENUE</b>						
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

Prepared By: Willis F. Kirkpatrick, Director Phone: 465-2521  
 Division: Banking, Securities and Corporations Date: \_\_\_\_\_

Approved by Commissioner: Loren H. Lounsbury Date: 5/6/85  
 Agency: Commerce and Economic Development

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

7/1/84

Original sponsors: Boucher and Taylor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 SENATE CS FOR HOUSE BILL NO. 406 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to investment of funds from deferred  
7 compensation."

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

9 \* Section 1. AS 39.45.010 is amended to read:

10 Sec. 39.45.010. AUTHORITY. The state or a political subdivision  
11 of the state may, by contract, agree with an employee to defer, in  
12 whole or in part, that employee's salary or wages. [IF INCLUDED IN  
13 THE CONTRACT TO DEFER PAYMENT OF SALARY OR WAGES, THE STATE OR A  
14 POLITICAL SUBDIVISION OF THE STATE SHALL PURCHASE A FIXED OR VARIABLE  
15 LIFE INSURANCE OR ANNUITY CONTRACT FOR THE PURPOSE OF FUNDING THE  
16 DEFERRED COMPENSATION PROGRAM PROVIDED FOR IN THIS CHAPTER, FOR THE  
17 EMPLOYEE.]

18 \* Sec. 2. AS 39.45.030 is amended to read:

19 Sec. 39.45.030. INVESTMENT AUTHORITY. The administrator of the  
20 state or political subdivision deferred compensation program is au-  
21 thorized, subject to contracts with individual employees, to invest  
22 the funds held under a deferred compensation program in

23 (1) fixed and variable life insurance and annuity con-  
24 tracts or other contracts issued by life insurance companies, ~~that~~  
25 ~~guarantee principal and interest;~~

26 (2) shares of or deposits in insured state or federal char-  
27 tered credit unions in the state;

28 (3) shares of or deposits in insured state or federal char-  
29 tered savings and loan associations in the state;

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(4) deposits in insured mutual savings banks in the state;

(5) deposits in insured state and national banks in the state; and

(6) multi-employer trusts established for investment of deferred compensation assets of state and local governments.

\* Sec. 3. AS 39.45.030 is amended by adding a new subsection to read:

(b) In this section, "insured" means insured by the federal government or an agency of the federal government.

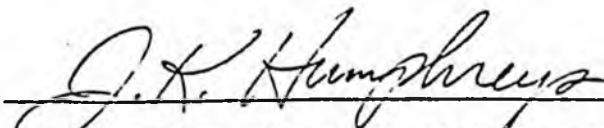
Position Paper

House Bill 406

This bill would allow the state or a political subdivision of the state to invest funds held under a deferred compensation program in a manner other than fixed and variable life insurance and annuity contracts. This bill would give administrators of deferred compensation programs more flexibility in managing their individual programs and permit investment in shares of and deposits in certain insured financial institutions in Alaska. In any event, we feel that an administrator must ensure that the size and stability of any funding vehicle is adequate to invest the plan's deferred compensation funds. At this time, the department sees no problem with allowing these additional options.

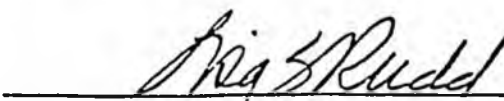
This amendment would have no fiscal impact.

The department's position is neutral.

  
\_\_\_\_\_  
J.K. Humphreys, Director, Division of Retirement & Benefits



5/6/85  
Date

  
\_\_\_\_\_  
Lisa Rudd, Commissioner, Department of Administration

5/7/85  
Date

**Municipality  
of  
Anchorage**



POUCH 6-650  
ANCHORAGE, ALASKA 99502-0650  
(907) 264-6610

TONY KNOWLES,  
MAYOR

DEPARTMENT OF FINANCE  
Fiscal Administration

Recommended Changes to HB 406:

Under 39.45.030

To (1) add - or other contracts issued by life insurance companies which guarantee principal and interest;

Add new item - participation in a multi-employer trust established for investment of deferred compensation assets of state and local governments.

The above two amendments are being recommended to allow the state and local governments full flexibility in selecting providers for deferred compensation plans. The new item allows a corporation other than an insurance company, savings & loan, credit union or bank to be an eligible investment opportunity for deferred comp plans.

For additional information, contact Barbara Steckel, Chief Fiscal Officer, at 264-6610.

Introduced: 4/29/85  
Referred: State Affairs  
and Finance

1 IN THE HOUSE

BY BOUCHER

2

HOUSE BILL NO. 406

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to investment of funds from deferred  
7 compensation."

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(4) deposits in insured mutual savings banks in the state;

1        and

2                    (5) deposits in insured state and national banks in the  
3        state.

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5                    (b) In this section, "insured" means insured by the federal  
6        government or an agency of the federal government.



**FRONTIER  
ALASKA  
STATE CREDIT UNION**

MAIN OFFICE  
2500 BIRD STREET  
ANCHORAGE, AK 99503  
531-3788

SOLDOTNA BRANCH  
P.O. BOX 3088  
SOLDOTNA, AK 99688  
535-7600

EAGLE RIVER BRANCH  
CENTERFIELD DRIVE  
EAGLE RIVER, AK 99577  
534-5444

CAMPUS BRANCH  
2201 PROVIDENCE DRIVE  
ANCHORAGE, AK 99508  
581-3181

DEFERRED COMPENSATION PLAN PROPOSAL

FROM

FRONTIER ALASKA STATE CREDIT UNION

January 15, 1985

Tom Freeman, Assistant Superintendent  
Anchorage School District  
Anchorage, Alaska

Dear Tom,

Frontier Alaska State Credit Union has instituted numerous programs over the past year in an attempt to improve relations with our core membership, employees of the Anchorage School District. Our best program has been to have monthly meetings at the credit union with representatives from the various schools and administrative departments. The credit union is looking for new services to offer its members and the Building Reps suggested that the credit union develop a tax shelter program. When we began to understand how much money was put into tax sheltered annuities, we developed a deferred compensation program.

Frontier Alaska State Credit Union is requesting that the Anchorage School District allow the credit union to offer a deferred compensation plan as specified in Section 457 of the Internal Revenue Code. The 457 plan is an alternative to the 403(b) annuity tax shelters offered by many insurance companies. Frontier believes the plan offers district employees the following advantages.

1. Significant Tax Savings. Employees may defer the lesser of 25% of gross income or \$7,500. Extra deductions are available during the last three years of employment.
2. Absolute Safety. 457 plan deposits receive \$100,000 federal insurance on each district employee's account. This is in addition to other insurance on existing accounts.

3. 457 Plans Are Easy to Understand. Rates will be set quarterly. A 457 plan participant may come in the credit union at any time and get the balance in his or her account. There are no hidden charges.
4. Guaranteed Rates. Frontier intends to set the dividend rate quarterly. The rate should be about the same as the IRA rate. Because these will be long-term deposits, employees will earn a relatively high yield.
5. No Charges. Frontier will not charge a service fee or put a front or back end load charge on the plan. There is no early withdrawal penalty. The credit union wishes to reserve the right to set future fees because of changes in the tax code.
6. Deposits Stay Home. Deposits to these accounts will be used by the credit union to make loans to its members.

One disadvantage of a 457 plan compared to the annuities is that the 457 plan cannot be transferred to a district outside Alaska if an employee leaves Anchorage.

Frontier believes that a 457 plan is an attractive fringe benefit at virtually no inconvenience to the district. Existing payroll deduction forms can be used without modification. Frontier is willing to pay for any legal, training, or other charges necessary to implement the program. IRS regulations require that the employer approve any emergency withdrawals prior to retirement or termination of employment.

Enclosed you will find a copy of the proposed plan, a legal opinion on the plan and a copy of the regulation regarding federal insurance coverage.

We have contacted several educator-based credit unions outside who offer a 457 plan and they have reported that the plan is popular with district employees and imposes no additional burdens on their district personnel.

We hope for a favorable decision in this matter and look forward to working on this program with you. Please contact Leslie Ellis, our General Manager, at 563-3766 if you have any questions.

Sincerely,

A handwritten signature in cursive script, appearing to read "Art Arians".

Art Arians

President, Board of Directors

AA/jg

Encl.

DEFERRED COMPENSATION PLAN AND AGREEMENT

AGREED AND ENTERED INTO this \_\_\_\_\_ day of \_\_\_\_\_,  
19\_\_\_\_, between \_\_\_\_\_, the "Employer",  
and \_\_\_\_\_, the "Participant".

1. Purpose. Employer desires to establish and Participant desires to participate in an "eligible deferred compensation plan" as defined in section 457 of the Internal Revenue Code. Participant performs services for Employer either as an employee or independent contractor.

NOW THEREFORE, in consideration of the mutual agreement and covenant contained herein and for other valuable consideration, receipt of which is hereby acknowledged, it is mutually agreed and covenanted by and between Employer and Participant as follows:

2. Deferral of Compensation. Beginning with the first full pay period commencing after execution of this Plan and Agreement and for each pay period thereafter, Employer shall deduct from Participant's compensation as of the last business day of each pay period and shall credit on its books and records in Participant's Deferred Compensation Account ("Account"), the following amount: \_\_\_\_\_ (\$25.00 minimum).

3. Change in Amount of Deferral. The amount of compensation to be deferred and not yet earned may be increased or decreased by the execution of a revised deferred compensation agreement provided that any such revision shall be effective only for compensation which will be earned during the calendar month next succeeding the month during which such revision is executed.

4. Investment of Deferred Compensation. All amounts of deferred compensation credited to the Participant's Account shall be invested in a deposit account of Frontier Alaska State Credit Union. All dividends and other distributions of the accounts shall automatically be reinvested in a deposit account and all earnings shall be credited to the Participant's Account.

DEFERRED COMPENSATION PLAN AND AGREEMENT  
PAGE 2.

5. Payments Under the Plan. (a) Upon the Participant's Separation from Service, as defined in Paragraph 11, Employer shall direct Frontier Alaska State Credit Union to pay Participant the value of Participant's Account in the manner specified in the Settlement Agreement. (b) Upon the occurrence of an Unforeseeable Emergency, as defined in Paragraph 11, Participant may submit an Unforeseeable Emergency Withdrawal Request on such form supplied by Employer. The request will be approved by Employer for only the amount of payment, if any, as is consistent with the terms of this Plan and Agreement.

6. Distribution to Beneficiaries. If the Participant dies before the entire amount deferred is paid to the Participant, the Employer shall direct Frontier Alaska State Credit Union to pay the value of the Account to the Participant's beneficiary or beneficiaries in the manner and to the person(s) designated in the Designation of Beneficiary and Death Benefit Payment form. If no beneficiary has been designated in the Designation of Beneficiary and Death Benefit Payment form, Employer shall direct Frontier Alaska State Credit Union to liquidate and pay the entire amount of the Account to Participant's estate.

In the event of a distribution to beneficiaries, the entire amount deferred and not yet distributed must be paid to a beneficiary over -

- (a) The life of the beneficiary (or any shorter period), if the beneficiary is the Participant's surviving spouse, or
- (b) A period not in excess of fifteen years, if the beneficiary is not the Participant's surviving spouse.

7. Maximum Yearly Deferral. Except as in Paragraph 8, the maximum amount of Participant's compensation that may be deferred for a taxable year shall not exceed the lesser of:

(a) \$7,500, or

(b) 5%-17.5% of the Participant's includible compensation for the taxable year, reduced by any amount excludable from the Participant's gross income for the taxable year under Section 402(b) of the Internal Revenue Code on account of contributions made by the Employer.

A Participant's "includible compensation" for a taxable year includes only compensation from the Employer that is attributable to services performed for the Employer and that is includible in the Participant's gross income for the taxable year.

DEFERRED COMPENSATION PLAN AND AGREEMENT  
PAGE 3.

8. Limited Catch-Up. For one or more of the Participant's last three (3) taxable years ending before he attains normal retirement age under the Plan, the ceiling set forth in Paragraph 7 shall be the lesser of:

(a) \$15,000.00, or

(b) The sum of -

- (i) The Plan ceiling established for purposes of Paragraph 7 for the taxable year (determined without regard to this paragraph), plus
- (ii) So much of the Plan ceiling established for Paragraph 7 for taxable years before the taxable year as has not theretofore been used under Paragraph 7 or this paragraph.

9. All of the terms and conditions of the Deferred Compensation Plan and Agreement contained on the reverse hereof, are incorporated herein and by this reference made a part hereof.

EMPLOYER:

PARTICIPANT:

By \_\_\_\_\_  
(Signature Typed Name)

\_\_\_\_\_  
(Employee, Independent Contractor)  
(Circle One)

Title \_\_\_\_\_

DO YOU HAVE A 401K TAX DEFERRED ANNUITY      Yes      No

THIS AGREEMENT INCLUDES DEFERRALS FROM THE LIMITED CATCH-UP  
PROVISION - PARAGRAPH 8.

DEFERRED COMPENSATION PLAN AND AGREEMENT  
PAGE 4.

10. Timing of Deferral. Compensation will be deferred for any calendar month only if an agreement providing for such deferral has been entered into before the first day of such calendar month. Compensation may be deferred for the calendar month during which a prospective participant first becomes a Participant, if an agreement providing for such deferral is entered into on or before the first day on which the prospective Participant becomes a Participant.

11. Availability of Deferred Funds. In no event will any amount payable be paid or made available to a Participant or any beneficiaries before the Participant incurs a Separation from Service or an Unforeseeable Emergency, which are defined as follows:

(a) Separation from Service shall be determined in the manner prescribed by the Internal Revenue Service Regulation Sections 1.457-2(n)(2) & (3).

(b) Unforeseeable Emergency shall mean severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or of a dependent (as defined in Section 152(a) of the Internal Revenue Code) of the Participant, loss of Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Employee. The circumstances that will constitute an Unforeseeable Emergency will depend upon the facts of each case, but, in any case, payment may not be made to the extent that such hardship is or may be relieved -

- (i) through reimbursement of compensation by insurance or otherwise,
- (ii) by liquidation of the participant's assets, to the extent the liquidation would not itself cause severe financial hardship,
- (iii) by cessation of deferrals under the plan.

Examples of what are not considered to be Unforeseeable Emergencies include the need to send a Participant's child to college or the desire to purchase a home.

It shall be the sole responsibility of the Employer to determine whether an Unforeseeable Emergency exists.

DEFERRED COMPENSATION PLAN AND AGREEMENT  
PAGE 5.

12. Settlement Agreement. The Settlement Agreement provides for the time and manner in which the value of the Participant's Account is to be paid. The Participant must elect a payment commencement date prior to Separation from Service. Such an election can only be made by Participant completing and executing the "Payment Commencement Date" portion of the Settlement Agreement and delivering it to Employer prior to Separation from Service.

The Participant may make or change an election regarding the manner in which payments are to be made by completing and executing the "Manner of Payment" portion of the Settlement Agreement and delivering it to the Employer at any time prior to the payment commencement date. In no event shall an election regarding the manner of payments be allowed which will cause payments to be made beyond a date fifteen (15) years from the initial payment commencement date, and payments in any event must be made on at least an annual basis.

If the Participant fails to elect a payment commencement date prior to Separation from Service, the Employer shall cause payment to commence sixty (60) days after Separation from Service. If the Participant fails to elect the manner in which payments are to be made prior to the payment commencement date, payments shall be made in an amount equal to one-fifteenth (1/15th) of the value of the Account in fifteen (15) annual payments adjusted annually for any increase or decrease in the value of the Account. The "Payment Commencement Date" portion of the Settlement Agreement shall become effective when executed by both Participant and Employer. The "Manner of Payment" portion of the Settlement Agreement shall become effective when executed by both the Participant and Employer.

In the event the payment commencement date is changed prior to the Participant's Separation from Service or the manner of payment elected is changed prior to the payment commencement date, the latter date applicable to each, respectively, shall govern and shall apply to deferred compensation that had already been earned and deferred under the Employer's program of deferred compensation as well as compensation that shall be subsequently earned and deferred.

DEFERRED COMPENSATION PLAN AND AGREEMENT

PAGE 6.

13. Distribution of Deferrals. Payments of amounts deferred will commence not later than THE LATER OF -

(a) Sixty (60) days after the close of the Plan year in which the Participant or former Participant attains (or would have attained) normal retirement age, defined as the later of age 55 or 3 years of service with the Employer, or

(b) Sixty (60) days after the close of the Plan year in which the Participant Separates from Service with the Employer.

14. Employer's Property. All amounts of compensation deferred under the Plan and Agreement, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights shall remain (until made available to the Participant or other beneficiary) solely the property and right of the Employer (without being restricted to the provisions of benefits under the Plan) subject only to the claims of the Employer's general creditors.

15. Employer Obligation to Participant. At any particular time, the value of the Account shall represent the sole obligation of Employer to Participant. With respect to Employer's obligation, Participant shall be a general (not secured) creditor.

16. Non-Assignment. Participant may not assign, anticipate, alienate, sell, transfer, pledge or in any way encumber any of the rights Participant may have hereunder and Employer shall reject and refuse to honor any such purported action with respect to such rights. This Plan and Agreement shall be binding on the assigns and successors of Employer and on the Personal Representative, Executor and Administrator of Participant. The interest of the Participant or any beneficiary designated by the Participant or in any obligation established by the Plan and Agreement shall not be subject to the claims of Participant's creditors or to legal process on behalf of Participant's creditors or be liable for the debts of any beneficiary.

DEFERRED COMPENSATION PLAN AND AGREEMENT  
PAGE 7.

17. Plan to Plan Transfers. If a Participant Separates from Service in order to accept employment with another employer within the state of Alaska that sponsors an "eligible deferred compensation plan" within the meaning of Section 457 of the Internal Revenue Code, and that employer's plan accepts transfers; the amount previously deferred shall automatically be transferred to such plan of the new employer, regardless of any other provision of this Plan and Agreement.

18. Acceptance of Deferrals From Another Plan. Amounts of compensation deferred by a Participant pursuant to another "eligible deferred compensation plan" within the meaning of the Internal Revenue Code, will be accepted by this Plan and Agreement. Such amounts shall be credited to the Participant's Account established pursuant to this Plan and Agreement and shall be subjected to all the terms and provisions of this Plan and Agreement.

19. Revocation. A Participant may revoke any and all deferred compensation Plan and Agreements previously executed by agreement in writing signed by the Participant and the Employer. Revocation of the Plan and Agreement will not accelerate payment of amounts deferred. Payment will occur only upon the happening of one of the specific events detailed in this Plan and Agreement.

20. Frontier Alaska State Credit Union is not a party of this Plan and Agreement. Any account established hereunder may be subject to rate schedules adopted by the credit union from time to time.

21. Compliance with Section 457. This Plan and Agreement is intended to comply with and to be administered in a manner consistent with Section 457 of the Internal Revenue Code. The provisions of this Plan and Agreement shall be interpreted in accordance with this intent. If requested by the Employer, the Participant agrees to cooperate in correcting any inconsistency in the administration of the Plan and Agreement under Section 457 of the Internal Revenue Code.

# ALASKA PENSION SERVICES

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December 18, 1984

Mr. Robert Libbey  
Assistant General Manager  
Frontier Alaska State Credit Union  
3500 Eide Street  
Anchorage, AK 99503

Dear Mr. Libbey:

We have reviewed the document and related forms which you have presented to us, which are entitled "Deferred Compensation Plan and Agreement".

It is our opinion that this "Deferred Compensation Plan and Agreement" will qualify for use as an eligible State deferred compensation plan in accordance with Internal Revenue Code Section 457, assuming the parties to the plan and agreement are qualified in accordance with Section 457.

Sincerely,

  
Robert L. Doss, Jr.

26/RLD/11g



-----NATIONAL CREDIT UNION ADMINISTRATION-----  
REGION VI

VI/JRP:jm  
Charter No. 66157  
July 10, 1984

Leslie Ellis, Manager  
Frontier Alaska  
State Credit Union  
3500 Eide Street  
Anchorage, Alaska 99503

Dear Mr. Ellis:

We are responding to your recent letter on the National Credit Union Administration Share Insurance coverage for deferred compensation plans.

Section 745.9-3 of the National Credit Union Administration Rules and Regulations provides that funds deposited by an employer pursuant to a deferred compensation plan shall be insured up to \$100,000 as to the interest of each plan participant who is a member, separately from other accounts of the participant or employer.

A copy of the cited section of the regulation is enclosed for your reference.

Sincerely,

*for* D. MICHAEL RILEY  
Regional Director

Enclosure

(b) **Qualifying joint accounts.** A joint account shall be deemed to exist, for purposes of insurance of accounts, only if each coowner has personally executed a joint account signature card and possesses withdrawal rights. The restrictions of this paragraph shall not apply to coowners of a time certificate of deposit or to any deposit obligations evidenced by a negotiable instrument, but such a deposit must in fact be jointly owned.

(c) **Failure to qualify.** An account owned jointly which does not qualify as a joint account for purposes of insurance of accounts shall be treated as owned by the named persons as individuals and the actual ownership interest of each such person in such account shall be added to any other accounts individually owned by such person and insured up to \$100,000 in the aggregate.

(d) **Same combination of individuals.** All joint accounts owned by the same combination of individuals shall first be added together and insured up to \$100,000 in the aggregate.

(e) **Interest of each coowner.** The interests of each coowner in all joint accounts owned by different combinations of individuals shall then be added together and insured up to \$100,000 in the aggregate.

#### §745.9-1 Trust accounts.

All trust interests, for the same beneficiary, deposited and established pursuant to valid trust agreements created by the same settlor (grantor) shall be added together and insured up to \$100,000 in the aggregate, separately from other deposit or share accounts of the trustee of such trust funds or the settlor or beneficiary of such trust arrangements.

#### §745.9-2 Keogh Accounts and Individual Retirement Accounts.

(a) The present vested ascertainable interest of a participant or designated beneficiary in a trust or custodial account maintained pursuant to a pension or profit-sharing plan described under §401(d) or §408(a) of the Internal Revenue Code shall be insured up to \$100,000 separately from other deposits of the participant or designated beneficiary.

(b) Upon liquidation of the credit union, any insurance coverage payment shall be made by the Administrator to the trustee or custodian, or the successor trustee or custodian, unless otherwise directed in writing, by the plan participant or beneficiary.

#### §745.9-3 Deferred Compensation Accounts.

Funds deposited by an employer pursuant to a deferred compensation plan shall be insured up to \$100,000 as to the interest of each plan participant who is a member, separately from other accounts of the participant or employer.

#### §745.10 Public unit accounts.

(a) Public funds invested in Federal credit unions and federally-insured state credit unions authorized to accept such investments shall be insured as follows:

(1) Each official custodian of funds of the United States lawfully investing the same in a federally-insured credit union shall be separately insured up to \$100,000;

(2) Each official custodian of funds of any state of the United States or any county, municipality, or political subdivision thereof lawfully investing the same in a federally-insured credit union in the same state shall be separately insured up to \$100,000;

(3) Each official custodian of funds of the District of Columbia lawfully investing the same in a federally-insured credit union in the District of Columbia shall be separately insured up to \$100,000;

(4) Each official custodian of funds of the Commonwealth of Puerto Rico, the Panama Canal Zone, or any territory or possession of the United States, or any county, municipality, or political subdivision thereof lawfully investing the same in a federally-insured credit union in Puerto Rico, the Panama Canal Zone, or any such territory or possession, respectively, shall be separately insured up to \$100,000;

(5) Each official custodian referred to in subsections (a)(2), (3), and (4) of this section lawfully investing such funds in a federally-

Anchorage School District  
**AUTHORIZED PAYROLL DEDUCTION**

SOCIAL SECURITY NUMBER	CD	NAME - Last	First	Middle

<p><b>Check and sign all blocks where applicable.</b>  <b>To stop a deduction write the word DELETE in the amount.</b>  <b>PLEASE READ AND CHECK CAREFULLY.</b></p>	<b>CARD CODE</b>	<b>Administrative Use Only</b>		
		<b>CODE</b>	<b>AMOUNT</b>	<b>LIMIT</b>
1. TEACHER'S RETIREMENT REINSTATEMENT \$ _____ per month	K	0203		
2. TEACHER RETIREMENT ARREARAGES \$ _____ per month	K	0202		
3. PUBLIC EMPLOYMENT RETIREMENT REINSTATEMENT \$ _____	K	0252		
4. SAVINGS BONDS \$ _____ per pay period	K	0802		
5. UNITED WAY \$ _____ per month \$ _____ Annual Limit	K	0500		
6. TOTEM \$ _____ per month	K	0465		
7. FOOD SERVICE ASSOCIATION DUES \$ _____	K	0460		
8. PUPIL TRANSPORTATION TEAMSTER'S DUES \$ _____ per month	K	0450		
9. TEAMSTER'S MAINTENANCE DUES \$ _____ per month	K	0457		
10. ALASKA LABORER'S LOCAL 71 \$ _____	K	0453		
11. ALASKA LABORER'S LOCAL 71 INITIATION FEE \$ _____	K	0454		
12. ANCHORAGE PRINCIPAL ASSOCIATION \$ _____ per month \$ _____ Annual Limit	K	0410		
13. OTHER \$ _____ \$ _____				
14. CREDIT UNION \$ _____ per month Account Number _____ I understand that all new accounts or changes must be processed at the Credit Union. This amount will replace all other established deductions. Account number must be present.	K	0700		
	J	Account Number _____		

CLERK

I hereby authorize the above deductions with the understanding that written notice is required FIFTEEN (15) days prior to payday to change a deduction.

Name \_\_\_\_\_

Location \_\_\_\_\_

Date \_\_\_\_\_

DISTRIBUTION White - Personnel, Yellow - Payroll, Pink - Individual

# ALASKA PENSION SERVICES

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January 21, 1985

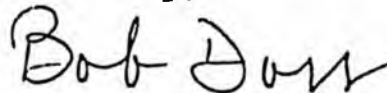
Mr. Robert Libbey  
Assistant General Manager  
Frontier Alaska State Credit Union  
3500 Eide Street  
Anchorage, AK 99503

Dear Bob:

Enclosed as we discussed is a draft of an Unforeseeable  
Emergency Withdrawal Request form that can be used with your  
proposed Deferred Compensation plan.

Let me know if you have any questions or comments  
regarding the form.

Sincerely,



Robert L. Doss, Jr.

27/RLD/llg

UNFORESEEABLE EMERGENCY WITHDRAWAL REQUEST

Employer: \_\_\_\_\_  
Name of Participant \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
City State Zip

Daytime Phone: \_\_\_\_\_  
Home Phone: \_\_\_\_\_  
Social Security No.: \_\_\_\_\_

I hereby request that amounts deferred for me under the Deferred Compensation Plan and Agreement be paid to me in the amount and manner and at the time indicated below.

This request is made as a result of the following circumstances: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(Please attach additional pages if more space is necessary.)

I certify that funds are not or will not be available to meet this emergency either:

- (i) through reimbursement of compensation by insurance or otherwise,
- (ii) by liquidation of any assets I may have without causing severe financial hardship or
- (iii) by cessation of deferrals under the Plan.

AMOUNT OF PAYMENT REQUESTED: \_\_\_\_\_

MANNER OF PAYMENT REQUESTED (select one):

\_\_\_\_\_ equal payments for \_\_\_\_\_ years.  
 ( \_\_\_\_\_ Annual \_\_\_\_\_ Semiannual \_\_\_\_\_ Quarterly \_\_\_\_\_ Monthly)  
 \_\_\_\_\_ % of Account each year for \_\_\_\_\_ year(s), then the balance  
 of the Account in \_\_\_\_\_ equal payments for \_\_\_\_\_ year(s).  
 \_\_\_\_\_ Lump Sum  
 \_\_\_\_\_ Other: \_\_\_\_\_

(If the amounts accumulated by the Participant as of the Payment Commencement Date total less than \$2,000.00, or if monthly payments would be less than \$25.00, the Employer will specify a lump sum or an accelerated payment schedule.)

PAYMENT COMMENCEMENT DATE REQUESTED: \_\_\_\_\_

I agree to provide whatever additional information the Employer may deem reasonably necessary to make a determination regarding this request.

PARTICIPANT:

DATE \_\_\_\_\_

ACTION BY EMPLOYER:

\_\_\_\_\_ Request APPROVED

\_\_\_\_\_ Request DENIED

By \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

# ALASKA PENSION SERVICES

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January 21, 1985

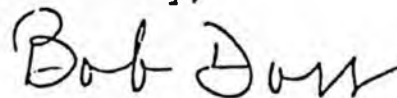
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City State Zip

Daytime Phone: \_\_\_\_\_  
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\_\_\_\_\_

(Please attach additional pages if more space is necessary.)

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PARTICIPANT:

\_\_\_\_\_  
DATE \_\_\_\_\_

ACTION BY EMPLOYER:

\_\_\_\_\_ Request APPROVED

\_\_\_\_\_ Request DENIED

By \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

§ 39.45.025

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§ 39.45.030

PUBLIC OFFICERS AND EMPLOYEES

§ 39.45.060

(4) act as an appeals board, hold hearings at the request of an employer, employee, surviving spouse, or a beneficiary on decisions made by the administrator that relate to the deferred compensation program for state employees, and submit its findings to the administrator;

(5) prescribe the policies for the proper operation of the deferred compensation program for state employees and take other action that it considers necessary to carry out the intent and purpose of the program.

(b) In this section "administrator" means the administrator of the deferred compensation program for state employees. (§ 38 ch 146 SLA 1980)

**Sec. 39.45.030. Investment authority.** The administrator of the state or political subdivision deferred compensation program is authorized, subject to contracts with individual employees, to invest the funds held under a deferred compensation program in fixed and variable life insurance and annuity contracts. (§ 1 ch 40 SLA 1973)

**Sec. 39.45.040. Additional benefits.** The deferred compensation program established under this chapter exists and serves in addition to any existing retirement, pension, or benefit system established by the state or its political subdivisions and may not effect a reduction in benefits receivable under an existing system. (§ 1 ch 40 SLA 1973)

Revisor's notes. — In ch. 40, SLA 1973, this section contained the phrase "may not affect a reduction." That appears to involve a typographical error, and "affect" has been changed to "effect" here.

**Sec. 39.45.050. Tax deferred investments.** The administrator of a deferred compensation program under this chapter shall invest only in contracts that allow for deferment of the state and federal income tax until benefits are receivable under the program and shall make appropriate withholding adjustments in each participating employee's payroll. (§ 1 ch 40 SLA 1973)

**Sec. 39.45.060. Definition.** In this chapter "employee" means a person, whether appointed, elected or under contract, who provides services for the state or a political subdivision of the state for which compensation is given. (§ 1 ch 40 SLA 1973)

## Chapter 50. Conflict of Interest.

### Section

- 10. Findings and purpose
- 20. Report of financial and business interests
- 25. Notification to candidates for legislature
- 30. Contents of statements

### Section

- 35. Exemptions
- 40. Blind trusts
- 50. Administration and inspection
- 60. Penalty for willful violation of disclosure requirements
- 70. Failure to report by department, divi-

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

**REQUEST**

Bill/Resolution No.: HB 406  
 Title: "An Act relating to invest-  
 ment of funds . . . ."  
 Sponsor: Rep. Boucher  
 Requestor: \_\_\_\_\_  
 Date of Request: \_\_\_\_\_

**FISCAL DETAIL**

Agency Affected: Commerce & Econ. Dev.  
 Program Category Affected: \_\_\_\_\_  
Public Protection  
 BRU, Program or Subprogram(s) Affected:  
Banking, Securities and Corporations

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 83	FY 84	FY 85	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
500 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
300 MISCELLANEOUS						
<b>TOTAL OPERATING</b>	-0-	-0-	-0-	-0-	-0-	-0-
<b>CAPITAL</b>						
<b>REVENUE</b>						

**FUNDING: (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-

**POSITIONS:**

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

**ANALYSIS:** Attach a separate page if necessary

Prepared By: Willis F. Kirkpatrick, Director Phone: 465-2521  
 Division: Banking, Securities and Corporations Date: \_\_\_\_\_

Approved by Commissioner: Loren H. Lounsbury Date: 5/6/85  
 Agency: Commerce and Economic Development

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

7/1/84

HB 406

Presented to Senate Finance

HB 406 WOULD PERMIT ALASKA CREDIT UNIONS, AS  
AS WELL AS OTHER FINANCIAL INSTITUTIONS, TO DEVELOP TAX-EXEMPT  
'DEFERRED COMPENSATION' PROGRAMS TO BE OFFERED TO PUBLIC  
EMPLOYEES THROUGH THEIR VARIOUS EMPLOYERS.

DEFERRED COMPENSATION IS A TAX-EXEMPT SAVINGS PROGRAM  
APPROVED UNDER FEDERAL IRS CODE. THE IRS CODE PERMITS TWO  
KINDS OF PLANS, ONE THROUGH INSURANCE COMPANIES AND THE OTHER  
THROUGH FINANCIAL INSTITUTIONS.

CURRENTLY, ALASKA LAW ONLY RECOGNIZES INVESTMENT THROUGH  
INSURANCE COMPANIES, WITH FIXED AND VARIABLE LIFE INSURANCE  
AND ANNUITY CONTRACTS. THIS BILL WOULD ALLOW ALASKAN PUBLIC  
EMPLOYEES TO ALSO OBTAIN DEFERRED COMPENSATION THROUGH  
FINANCIAL INSTITUTIONS, IN KEEPING WITH FEDERAL LAW.

ALASKA LAW WAS WRITTEN FOR INSURANCE COMPANIES BECAUSE IN  
THE EARLY 1970'S ONLY INSURANCE AND ANNUITY INVESTMENTS COULD  
COMPETE EFFECTIVELY FOR THESE PROGRAMS. HOWEVER, IN RECENT  
YEARS DEREGULATION OF BANKING HAS MADE FINANCIAL INSTITUTIONS  
COMPETITIVE FOR THESE LONG-TERM DEPOSITS. BY EXPANDING THE  
LAW TO COVER FINANCIAL INSTUTITONS, WE ARE THUS EXPANDING THE  
OPTIONS OF BOTH THE EMPLOYER AND THE EMPLOYEE TO CHOOSE THE

DEFERRED COMPENSATION PLAN THAT FITS THEM BEST.

FINANCIAL INSTITUTIONS MEAN BANKS, CREDIT UNIONS, ETC.; BUT THAT IS NOT JUST AN ABSTRACT CONCEPT. ONE BIG ADVANTAGE OF THE BILL IS THAT IT WOULD ALLOW EMPLOYEES TO HAVE THE BENEFIT OF WORKING THROUGH A FINANCIAL INSTITUTION WHICH THEY FREQUENT REGULARLY AND WHERE EVIDENCE OF DEPOSITS MAY HELP THEM WITH OTHER FINANCING AS WELL.

SECONDLY, THIS BILL IS A KIND OF 'ALASKA RESIDENT HIRE' BILL. IT KEEPS ALASKAN EMPLOYEES' LONG-TERM SAVINGS INVESTED IN ALASKA, WHERE IT CAN BE RECIRCULATED TO HELP UNDERWRITE ALASKA LOANS AND INVESTMENTS. MOST INSURANCE AND ANNUITY MONEY AND DEPOSITS GO STRAIGHT OUT OF THE STATE AND ARE INVESTED ELSEWHERE.

THIRDLY, THE BILL WILL ALLOW ALASKA CREDIT UNIONS AND BANKS TO COMPETE FOR THESE LONG-TERM DEPOSITS. IN THE CASE OF CREDIT UNIONS IT WOULD HELP UNDERWRITE CONSUMER LEVEL LOANS AND LOANS OF CREDIT UNION BORROWERS. COMMERCIAL AND SAVINGS BANKS WOULD FIND A BROADER INVESTMENT ARENA JUST WHEN THE ECONOMY IS STARTING TO DROP DOWN BECAUSE OF DROPS IN OIL REVENUES.

THE BILL THUS DOES 3 THINGS: 1) IT BENEFITS THE EMPLOYEE BY GIVING HIM ADDITIONAL OPTIONS; 2) IT BENEFITS ALASKAN FINANCIAL INSTITUTIONS BY BUILDING LONG-TERM DEPOSITS; 3) IT HAS A GENERAL ECONOMIC BENEFIT TO THE STATE BY KEEPING CAPITAL WITHIN THE STATE.

THERE IS A ZERO FISCAL NOTE, AND THIS BILL PASSED OUT OF THE HOUSE UNANIMOUSLY. I WOULD APPRECIATE ANY SUPPORT YOU

COULD THEREFORE GIVE THE BILL.

Introduced: 4/29/85  
Referred: State Affairs  
and Finance

1 IN THE HOUSE

BY BOUCHER

2

HOUSE BILL NO. 406

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to investment of funds from deferred  
7 compensation."

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

9 \* Section 1. AS 39.45.010 is amended to read:

10 Sec. 39.45.010. AUTHORITY. The state or a political subdivision  
11 of the state may, by contract, agree with an employee to defer, in  
12 whole or in part, that employee's salary or wages. [IF INCLUDED IN  
13 THE CONTRACT TO DEFER PAYMENT OF SALARY OR WAGES, THE STATE OR A  
14 POLITICAL SUBDIVISION OF THE STATE SHALL PURCHASE A FIXED OR VARIABLE  
15 LIFE INSURANCE OR ANNUITY CONTRACT FOR THE PURPOSE OF FUNDING THE  
16 DEFERRED COMPENSATION PROGRAM PROVIDED FOR IN THIS CHAPTER, FOR THE  
17 EMPLOYEE.]

18 \* Sec. 2. AS 39.45.030 is amended to read:

19 Sec. 39.45.030. INVESTMENT AUTHORITY. The administrator of the  
20 state or political subdivision deferred compensation program is au-  
21 thorized, subject to contracts with individual employees, to invest  
22 the funds held under a deferred compensation program in

23 (1) fixed and variable life insurance and annuity con-  
24 tracts;

25 (2) shares of or deposits in insured state or federal char-  
26 tered credit unions in the state;

27 (3) shares of or deposits in insured state or federal char-  
28 tered savings and loan associations in the state;

29 (4) deposits in insured mutual savings banks in the state;

1        and

2                    (5) deposits in insured state and national banks in the  
3        state.

4        \* Sec. 3. AS 39.45.030 is amended by adding a new subsection to read:

5                    (b) In this section, "insured" means insured by the federal  
6        government or an agency of the federal government.

COMMITTEE REPORT  
SENATE

FURTHER:

FINANCE

5/10/85

Date 4/10/80

Mr. President

The Committee on STATE AFFAIRS considered HB 406

investment of funds from deferred compensation.

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

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for \_\_\_\_\_
- new title
- same title and recommends \_\_\_\_\_
- and attached a "LETTER OF INTENT"  NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

Edwin Byrnes  
John ...  
Bill Ray  
Tom Kelly

MEMBERS HAVING  
OTHER RECOMMENDATIONS

[Signature]  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

[Signature]  
Chairman  
[Signature]  
Chairman recommendation