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### Deferred Compensation Overview

The Alaska Legislature now has before it HB-406, which proposes a change in Alaska statutes to clarify that Alaska based financial institutions may develop tax-exempt deferred compensation programs to be offered to public employees through their various employers. Alaska law presently does not prohibit such programs, but additional flexibility is needed in regard to the options of investing funds.

This pending legislation (HB-406) has been brought about by the interest of state Rep. Red Boucher and other lawmakers interested in allowing Alaska financial institutions to compete for Alaska public employee tax-deferred savings. Presently such Alaskan tax-deferred savings have only the option of insurance/annuity investments. This means Alaskan deferred wages must flow out-of-state to insurance company sponsored plans. Presently Frontier Alaska State Credit Union (formerly Alaska School Employees Credit Union) is prepared to offer such an alternative 'in-state' tax-deferred savings program.

The original offering of the program by Frontier Alaska State Credit Union has been to the Anchorage School District, with whom they have had a long relationship. The Anchorage School District tentatively has agreed to the program pending clarification of the law (HB-406).

Frontier Alaska's interest has also stemmed from the interest of employees and credit union members. In many instances these employees have come to the credit union seeking assistance in understanding the variety of insurance/annuity programs for which they are frequently solicited. Like in the case of IRAs, many of these members prefer a plan that is accessible to them at an institution they frequent regularly for a broad variety of financial services. 'Financial institution' deferred compensation programs (as opposed to insurance) are common in many other states.

### THE LEGAL PROGRAM

The IRS code presently recognizes and permits financial institutions to develop such programs. The only legal problem is language in state law that has to do with the manner of investment of such funds. Alaska law governing deferred compensation was written in the early-1970s, and at the time only insurance and annuity investment could effectively compete for these programs. Since then deregulation has made financial institutions competitive for long-range investment deposits. An example of this change is the proliferation of IRAs and money market accounts offered by financial institutions in recent years. Viewed from an investment standpoint, IRAs are very similar to deferred compensation. Financial institutions, in fact, can offer greater security since their accounts qualify and are required to be insured by the FIDC and its credit union equivalent.

### WHAT IS DEFERRED COMPENSATION?

Deferred compensation is a tax-exempt savings program approved under IRS code. Under this federal authority insurance companies and financial institutions are permitted to develop plans, and with the permission of school districts, municipal jurisdictions, and utility associations, offer these plans to public employees.

The IRS permits two kinds of plans, one through insurance companies and the other through financial institutions. The plans differ mostly only in that the federal government regulates insurance companies and financial institutions differently.

The plan being developed by Frontier Credit Union is a good example of how most plans work. From a functional point, the public employer provides the 'permission,' and therefore the formal relationship required under federal law. However, the plan operator does all the necessary work with the exception of payroll deductions. The payroll deduction is an essential feature, because technically the employee never receives the income, it is channeled to the deferred compensation program (hence the term 'deferred compensation').

The Frontier Credit Union Plan would:

(1) Permit employees to defer from taxes \$7,500 yearly, or 25% of income, whichever is less.

(2) Provide safety of investment by federal insurance (National Credit Union Administration) up to \$100,000 on each employee account. Accounts that might exceed \$100,000 would be covered by additional federal insurance.

(3) Earnings rates would be set quarterly. Balances of accounts and other information would be immediately available on demand. There would also be no hidden charges. Earnings rates would be similar to those in IRAs (10.25% in May, 85 on Frontier accounts). In many respects the only thing different about handling IRAs, and deferred compensation plans, is that the deferred compensation plans must come through public employers and from regularly predetermined deduction of wages.

(4) Frontier plans no special charges or fees for initial set-up or administration.

### Entirely Optional

In most jurisdictions municipal employers do not endorse any one kind of plan --or any particular plan. Generally the policy of public employers appears to be that of certifying a number of qualifying plans --both financial and insurance/annuity-- and leave the employee both the choice and responsibility of selecting their plan.

The Anchorage School District now recognizes many different plans and carriers. Frontier Alaska Credit Union will simply be another 'available option' to the employee, although we think it is one with the advantage of (1) local presence and access, and (2) insurability of the account.

It should be noted that there are exceptions where the employer does select and offer only one plan. This, of course, then places on the employer some obligation in monitoring the performance of the plan, and in many cases involves more work and expense on the part of the employer. It is because of this element of 'added obligation' inherent in certifying a sole deferred compensation carrier, that causes most jurisdictions to opt to the 'open policy.' This leaves the burden of choice to the employee and the burden of regulation to state and federal authorities.

### State and Local Interest

There is a significant final benefit that has stirred legislative interest in broadening deferred compensation law. The beneficial economic by-product for the state and local areas is that 'savings' will flow to local financial institutions. These local (insured) deposits will then help underwrite the local investments of Alaska financial institutions and the loans of local borrowers. It is important to note that by their very authority deferred compensation deposits are very long term deposits, and tend to be cumulative --growing year-after-year without drawdown. Such a class of deposit would be very valuable to Alaska financial institutions of any type. Some lawmakers have referred to HB-406 as a 'local hire' money bill. While that may be an overstatement, nevertheless it is a fact that the considerable sums in Alaska, now invested in deferred compensation insurance programs, do go straight out of the state. In a sense the state economic structure is drained of these wages.

Persons of various philosophies can argue the finer points of such ideas. However, there is little doubt that access to deferred compensation deposits will greatly increase the ability of Alaska credit unions to underwrite consumer loans for their members. It is also important to note that credit unions are now the 'consumer level' banks in most of our communities.

### A COMPETITIVE MARKET

The program being developed by Frontier Alaska Credit Union (the state's third largest credit union) is a pilot effort that others will follow. Alaska commercial banks will develop their program also, and undoubtedly will compete with insurance/annuity carriers for a share of the state employee market.

The Frontier program is simply the first, and therefore they have been an active participant with legislators in seeking clarification of the law by HB-406. This bill passed the House unanimously and is now in the Senate

### Preliminary Interest

What Frontier Alaska State Credit Union is now seeking is a preliminary agreement by a number of municipal governments and school districts. Initially this would require only a letter, such as that issued by the Anchorage School District, indicating interest in participation at such time as the state law is amended.

Ultimately participation would require approval of a standard 'Master Agreement,' payroll deduction authorization, and the right to solicit among respective employee groups.

### FINAL AGREEMENT

Final agreement would come on passage of HB-406, which will clarify state law so that deferred compensation deposits may be invested in the kinds of investments that are common to financial institutions.

Tentative agreement by a number of Alaska municipal jurisdictions will be a valuable asset in securing speedy passage of HB-406 in the Senate. These agreements would also assist the program in getting started quickly after passage of the legislation, and in setting the standards for other deferred compensation programs by Alaska financial institutions.

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

*Cramer*  
1124

1 IN THE HOUSE

BY BOUCHER AND TAYLOR

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.

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

OC  
5/8

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 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						
500 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



**FRONTIER  
ALASKA  
STATE CREDIT UNION**

**MAIN OFFICE:**  
3800 SIDE STREET  
ANCHORAGE, AK 99503  
563-3766

**SOLDOTNA BRANCH:**  
P.O. BOX 3089  
SOLDOTNA, AK 99688  
568-7600

**EAGLE RIVER BRANCH:**  
CENTERFIELD DRIVE  
EAGLE RIVER, AK 99577  
894-5444

**CAMPUS BRANCH:**  
2201 PROVIDENCE DRIVE  
ANCHORAGE, AK 99508  
561-3151

DEFERRED COMPENSATION PLAN PROPOSAL

FROM

FRONTIER ALASKA STATE CREDIT UNION

Question Contact:

Mike Bradner  
Anchorage: 349-7711 / 344-2455

Or:

Leslie Ellis  
Manager  
Frontier Alaska State Credit Union  
Anchorage: 563-3766

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.

 Note: The Anchorage School District has tentitively agreed to participation at such time as state law is clarified. The Anchorage District policy is to permit all qualified plans to compete for employee participation. The letter and attached material provide discription re: how such a plan would be implemented.

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.

Sample Employee Agreement:

✓ Note: While technically all deferred compensation programs are agreements between employee and employer, all administration with exception of payroll deduction is generally carried out by the plan operator.

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) 33-1/3% of the Participant's includible compensation for the taxable year, reduced by any amount excludible 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 8 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/llg

Note: Robert Doss is an attorney and CPA  
specializing in pension work



(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-

**AUTHORIZED PAYROLL DEDUCTION**

SOCIAL SECURITY NUMBER	CD	NAME - Last	First	Middle

Check and sign all blocks where applicable.  
 To stop a deduction write the word DELETE in the amount.  
 PLEASE READ AND CHECK CAREFULLY.

	CARD CODE	Administrative Use Only		
		CODE	AMOUNT	LIMIT
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

Sample Payroll Deduction Form

# ALASKA PENSION SERVICES

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January 21, 1985

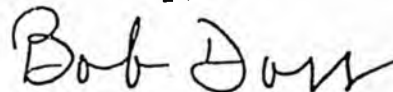
Mr. Robert Libbey  
Assistant General Manager  
Frontier Alaska State Credit Union  
3500 Eide Street  
Anchorage, AK 99503

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/11g

Note:

Robert Doss is an Anchorage attorney and CPA  
specializing in pension work.

FORESEEABLE 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 \_\_\_\_\_

§ 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	Section
10. Findings and purpose	35. Exemptions
20. Report of financial and business interests	40. Blind trusts
25. Notification to candidates for legislature	50. Administration and inspection
30. Contents of statements	60. Penalty for wilful violation of disclosure requirements
	70. Failure to report by department, divi-

✓ CURRENT STATE LAW IN PROCESS OF CHANGE

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."

7

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.