

HB

335



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Sponsor Statement for HB 335 **State Retirement and Benefits**

An Act relating to information contained in retirement system records; relating to retirement boards; relating to procedures and hearings under state retirement systems; relating to benefits for reemployed retired members of retirement systems; relating to eligibility for normal retirement for members of the teachers' retirement system who have Alaska BIA credited service; relating to disability benefits for members of state retirement systems; relating to deduction of premiums from retirement benefits; relating to protection of, and assignment and transfer of, amounts held in retirement systems; relating to retirement benefits for certain employees earning high salaries; relating to qualified domestic relations orders in state retirement systems; relating to the definition of 'retirement fund' in the teachers' retirement system; relating to membership of state employees in the teachers' retirement system; relating to refund of contributions made to the judicial retirement system or to the former elected public officers retirement system and repayment of refunded contributions in those systems; relating to self-insurance and excess loss insurance for persons receiving benefits from a state retirement system; relating to participation of elected officials in the public employees' retirement system; relating to reinstatement of credited service in the public employees' retirement system after a refund because of certain levies; relating to the level income option benefit under the public employees' retirement system; relating to participation of employees of political subdivisions and public organizations in the public employees' retirement system; relating to penalties for attempts to defraud the public employees' retirement system; relating to the

definition of 'pension fund' in the public employees' retirement system; relating to calculation of years of service and of benefits under the public employees' retirement system for noncertificated employees of certain educational employers; and relating to individual accounts maintained for members of the former elected public officers retirement system.

Posted: February 22, 2000

Contact: Representative Bill Hudson at (907) 465-3744

HB 335 has been introduced at the request of the Division of Retirement and Benefits, and is essentially a cleanup bill. According to the department, there are federal laws, court settlements and other technical issues that need to be addressed in an updated state law. Also addressed in this legislation are some efficiency measures requested by the various retirement boards. There has not been a cleanup bill in many years and many of the issues addressed in HB 335 are longstanding ones.

This legislation is aimed at addressing issues involving clarification of current practices and law, compliance with new federal laws, compliance with various settlements, and board efficiencies. We have made every effort to stay away from policy changes and just address the cleanup issues.

There is nothing in this legislation that enhances or diminishes any retirement benefit for active employees or retirees in any public retirement system, and no section in this bill will increase the employers costs.

Thank you for your consideration.

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FISCAL NOTE

No: 1

Bill Version: CSHB 335 (STA)

(H) Publish Date: 2/23/00

**STATE OF ALASKA
2000 LEGISLATIVE SESSION**

Revision Date	<u>2/14/00</u>	Dept. Affected	<u>Administration</u>
Title	<u>An Act relating to information contained in retirement systems...</u>	BRU	<u>Centralized Administrative Services</u>
Sponsor	<u>Representative Hudson</u>	Component	<u>Retirement and Benefits</u>
Requester	<u>(H) State Affairs</u>	Component No.	<u>64</u>

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services						
Travel	29.2	29.2	29.2	29.2	29.2	29.2
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	29.2	29.2	29.2	29.2	29.2	29.2

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (PERS/TRS)	29.2	29.2	29.2	29.2	29.2	29.2
TOTAL	29.2	29.2	29.2	29.2	29.2	29.2

Estimate of any current year (FY2000) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

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

See attached

Prepared by:	<u>Guy Bell</u>	Phone	<u>465-4471</u>
Division	<u>Retirement and Benefits</u>	Date/Time	<u>2/14/00 8:42 AM</u>
Approved by Commissioner	<u>Robert Poe Jr.</u>	Date	<u>2/14/00 2/15/00</u>
Agency	<u>Department of Administration</u>		

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HB335 Fiscal Note Analysis

Section 3 (Teachers' Retirement System) and Section 29 (Public Employees' Retirement System) are the only sections in this bill which have any fiscal impact on the retirement funds. These sections would provide an honorarium payment to board members consistent with that paid to members of the Alaska State Pension Investment Board (currently \$150 per day).

For the purposes of this fiscal note we have assumed that the PERS Board will meet 25 days per year and the TRS Board 14 days per year. Each board has five members. Therefore the fiscal impact is calculated as follows:

PERS Board:	25 days x \$150/day x 5 members =	\$ 18,750
TRS Board:	14 days x \$150/day x 5 members =	<u>10,500</u>
Total Cost:		\$ 29,250

March 1, 2000

CS HOUSE BILL NO. 335 (FIN)

SECTIONAL ANALYSIS

BY REPRESENTATIVE HUDSON

“An Act relating to...”

* **Section 1.** This section exempts member records, including retiree records, under the Public Records Act, thereby making member name, address, and other information confidential. The Division of Retirement and Benefits' regulations 02 AAC 35.860 and 02 AAC 36.820 making member records confidential was struck down by the Alaska Superior Court (on the grounds that we needed a specific exemption under the Public Records Act). This change would, once again, protect member records. In addition, this section limits release of member records only under specific, authorized circumstances.

Reason: Necessary due to Court action.

* **Section 2.** Two physicians sit on the TRS and PERS boards when medical disability appeals are heard. The current statute requires the Governor to appoint two physicians from each of the four judicial districts in the state. The statute goes on to require that the physicians residing in the locality of the appeal hearing are first to be called to serve. Practically speaking, the Governor has had a very difficult time recruiting physician board members. This change would simplify the appointment process by requiring the Governor to appoint two physicians and two alternate physicians to serve on the TRS Board. This amendment also provides that when two physicians are not available, one physician may satisfy the quorum rules for a medical disability case. There is difficulty in appointing physician members and scheduling meetings to mesh with the schedules of those who have been appointed. Efficiencies and cost savings would follow if but one physician member would satisfy the statute, provided there is a need. The PERS parallel is section 30.

Reason: Board recommendation for efficiency.

* **Section 3.** This amendment would provide for an honorarium payment to TRS Board members consistent with that paid to members of the Alaska State Pension Investment Board (currently \$150/day) recognizing the significant workload and responsibility entrusted to board members. This provision requires no general fund money. It is financed by the TRS fund. The PERS parallel is section 31.

Reason: Board request.

* **Section 4.** This allows the TRS board to adopt regulations defining a quorum for the conduct of its business. The PERS parallel is section 32.

Reason: Board efficiency.

* **Section 5.** The first part of this section clarifies that the TRS board has the authority to adopt regulations for the conduct of hearings. The second part addresses an inconsistency in statute relating to the issuance of subpoenas, administration of oaths, depositions and affidavits. The board already has similar authority to that addressed in this subsection, but curiously only for hearings concerning waivers of adjustments under AS 14.25.175. This new subsection extends that authority to all board hearings. However, the scope of the authority is limited to the hearing proceedings themselves, and by its terms does not extend to prehearing discovery. The goal is to ensure that appropriate evidence may be presented at a hearing without complicating proceedings by broadening the scope to prehearing discovery. In addition, the board would be allowed to appoint hearing officers to hear and decide appeals. This provision would allow (but not necessarily require) the board to appoint hearing officers for these situations. By regulation, the Board could identify the types of appeals it might hear itself and set qualifications for hearing officers. Appellants would always have the option to appeal to the Board, even if a hearing officer has considered their cases.

Subsection (c) adds that if the board's vote on an appeal under this section is a tie vote, the administrator's decision is affirmed; the board, by regulation, shall provide for a method for it to reconsider a decision it has reached. This codifies the current practice of the board.

Subsection (d) allows an aggrieved person to appeal a final administrative decision of the TRS board to the superior court. This provision restates rights that exist as a matter of case law, and also amplifies that a "final" decision by the board is a precondition to further appeal. The PERS parallel is section 33.

Reason: Board recommendation for efficiency and to reduce costs associated with appeals. This provision tracks a sensible provision now applicable only to waivers of adjustment. It clarifies what has been practice and policy.

* **Section 6.** This section eliminates an inequity in current law. Under the current law, a TRS member who retires early (not under the RIP) and returns to work receives a penalty for their early retirement. On returning to work, the member's early retirement benefit stops. When the member subsequently retires, their early retirement benefit resumes and they receive a second benefit based on their reemployment service. There is no adjustment for the early retirement benefits foregone. This section will authorize the division to make an actuarial adjustment to make the member whole. It is anticipated that this section will have no financial impact to the TRS fund. The PERS parallel is section 35.

Reason: Member request to address inequity.

* **Section 7.** This section is amended based on the long-standing policy that the eight year vesting requirement in TRS must be met with at least five years of membership service with the balance made up of Alaska BIA service. The current statute requires a person to have at least three years of BIA service for that service to apply to vesting.

Reason: Clarifies existing practice.

* **Section 8.** The TRS statute allows a disabilitant to receive an additional 10 percent for each dependent child. It does not clearly state 10 percent of what. This section clarifies the division's long-standing interpretation that the dependent child benefit is 10 percent of the member's base salary immediately before becoming disabled.

Reason: Clarifies existing practice

* **Section 9.** This adds a section to the TRS statute requiring, unless there are extraordinary circumstances, a member to file a disability application within six months of the date the member's disability began or 90 days after the member terminated employment (whichever is later). The change will make the PERS and TRS filing requirements the same. The PERS parallels are sections 41 and 42.

Reason: Creates consistency between PERS and TRS systems.

* **Section 10.** This section adds language authorizing the division's long-standing practice of deducting retiree insurance premiums (medical, dental, vision, audio, and long-term care) from retirement checks. The TRS parallel is Section 24 and the PERS parallel is Section 49.

Reason: Not addressed in current statute.

* **Section 11.** Removes requirement that the TRS board must rule on a waiver of adjustment appeal within 120 days of its receipt. The purpose is to have a consistent process for all appeals. PERS parallel is Section 46.

Reason: Board request to increase flexibility to appellants and the TRS.

* **Section 12.** This repeals language no longer needed with the additions to AS 14.25.037 in Section 5. Makes the hearing process consistent for all types of hearing. PERS parallel is Section 48.

Reason: The purpose is to have a consistent process for all appeals.

* **Section 13.** Amends language to clarify that an alternate payee has a right to the contribution account of a member, not just any benefit payment. This will add significant convenience and protection to members and alternate payees. The parallels are sections 23 and 25 (JRS), 44 and 55 (PERS).

Reason: Efficiency and member request.

* **Section 14.** Adds language that allows the retirement system to pay a lump sum distribution directly to another plan or to an Individual Retirement Account - IRA. Without this, TRS must pay the contribution account balance to the former member, who must then write a check to the IRA custodian. The parallels are sections 23 (JRS), 26(NGNMRS), 45 (PERS) and 59 (EPORS).

Reason: Efficiency and member request.

* **Section 15 and 16.** This section updates TRS statutes relating to fraud, making such actions class A misdemeanors. PERS parallel is Section 51.

Reason: Clarification of the law.

* **Section 17.** Adds language that sets an upper compensation limit for pension plan purposes for all members first hired on or after July 1, 1996. For this purpose, pension plan employee contributions cannot exceed the limits set out in federal regulations. All members hired after that date must follow the limitations set by Section 401(a)(17) of the IRS code (initially set at \$150,000). This section is necessary for the system to comply with federal law. The parallels are sections 21 (JRS) and 53 (PERS).

Reason: Required to comply with federal law.

* **Section 18.** Companion to Section 13. Amends the TRS Qualified Domestic Relations Order (QDRO) definition to clarify that a former spouse has a right to the contribution account of a member. Current language limits the former spouse to the benefits payable. The parallels are sections 23 and 25 (JRS), 55 and 59 (PERS).

Reason: Efficiency and member request.

* **Section 19.** Clarifies that the income and interest earned by the TRS fund belong to the fund. Codifies the practice in place since TRS was established in the 1950s and the trust requirements of the retirement fund. The PERS parallel is section 54.

Reason: Codifies practice.

* **Section 20.** The current definition of teacher in TRS is very broad in that it includes the "commissioner of education and all supervisory employees in the Department of Education." This section changes the definition to make any Department of Education member subject to the same definition as all other members; namely, certification and being in a position requiring a teaching or administrator's certificate as a condition of employment.

Reason: Codifies practice.

* **Section 21.** Adds language that defines a compensation limit for pension plan purposes for all Judicial Retirement System (JRS) members first hired on or after July 1, 1996. For this purpose, pension plan employee contributions cannot exceed the limits set out in federal regulations. All justices and judges hired after that date must follow the limitations set by Section 401(a)(17) of the IRS code (initially set at \$150,000). The parallels are sections 17 (TRS) and 53 (PERS).

Reason: Required to comply with federal law

* **Section 22.** Adds language to allow judges to receive a refund of any principle and interest paid on prior indebtedness. Removes the one-year limitation to repay any prior refunds and allows the judge to make any repayments up to the time of retirement. The parallel is section 58 (EPORS).

Reason: Consistency with PERS and TRS.

* **Section 23.** Adds language paralleling that in the other retirement systems defining the rights of justices and judges to a refund when a qualified domestic relations order (QDRO) has been filed. Adds language that protects JRS benefits from any voluntary

or involuntary garnishment or assignment, with the exception of a Qualified Domestic Relations Order (QDRO) or a Medicaid trust. It also allows the retirement system to make payments to Individual Retirement Accounts. Federal law now requires that the retirement system make direct distributions to the former spouse and to other qualified plans. This change will bring the JRS into compliance with federal law. The parallels are sections 13 and 18 (TRS), 44 and 45 (PERS) and 59 (EPORS).

Reason: Consistency with PERS and TRS.

* **Section 24.** This section adds language authorizing the division's long-standing practice of deducting retiree insurance premiums (medical, dental, vision, audio, and long-term care) from JRS retirement checks. The parallels are sections 10 (TRS) and 49 (PERS).

Reason: Codifies existing practice.

* **Section 25.** Amends JRS language to clarify that a former spouse under a Qualified Domestic Relations Order (QDRO) has the right to the contribution and interest account of a justice or judge. Current language limits the former spouse to the benefits payable. The parallels are sections 13 and 18 (TRS), 26 (NGNMRS), 44 and 55 (PERS), 59 (EPORS).

Reason: Consistency with PERS and TRS.

* **Section 26.** Adds language paralleling that in the other retirement systems defining the rights of National Guard Naval Militia Retirement System (NGNMRS) members to a refund when a Qualified Domestic Relations Order (QDRO) has been filed. Adds language that protects NGNMRS benefits from any voluntary or involuntary garnishment or assignment, with the exception of a (QDRO) or a Medicaid trust. It also allows the retirement system to make payments to Individual Retirement Accounts. Federal law now requires that the retirement system make direct distributions to a former spouse and to other qualified plans. This change will bring the NGNMRS into compliance with federal law. The EPORS parallel is section 59.

Reason: Consistency with PERS and TRS.

* **Section 27.** Adds language specifically authorizing self-insurance of retiree medical, dental, vision, audio, and long-term care plans. This authorization applies to PERS, TRS, JRS and EPORS.

Reason: Codifies practice and clarifies current statute.

* **Section 28.** This section makes PERS board membership separate from the Personnel Board. Currently the three appointed members on the PERS Board serve by virtue of their appointment to the Personnel Board. This would make PERS Board appointment separate. Rationale: the PERS Board meets almost monthly to hear disability appeals and has other broad responsibilities. The level of activity has risen to the point where separate appointment is appropriate.

Reason: Board request.

* **Section 29.** Adds language to change how the winner in a PERS board election is determined. Current language uses the term "majority." A majority of votes cast means the winner must receive greater than 50% of the cast votes. This is virtually impossible since a PERS board election usually draws ten or more candidates. The use of the term "majority" virtually assures a runoff election, therefore doubling the cost of the election process. With this change the winner is the person who receives the most votes. If two seats are open, then the top two vote getters are elected.

Reason: Board request and efficiency measure.

* **Section 30.** Two physicians sit on the TRS and PERS boards when medical disability appeals are heard. The current statute requires the Governor to appoint two physicians from each of the four judicial districts in the state. The statute goes on to require that the physicians residing in the locality of the appeal hearing are first to be called to serve. Practically speaking, the Governor has had a very difficult time recruiting physician board members. This change would simplify the appointment

process by requiring the Governor to appoint two physicians and two alternate physicians to serve on the PERS Board. This amendment also provides that when two physicians are not available, one physician may satisfy the quorum rules for a medical disability case. There is difficulty in appointing physician members and scheduling meetings to mesh with the schedules of those who have been appointed. Efficiencies and cost savings would follow if but one physician member would satisfy the statute, provided there is a need. The TRS parallel is section 2.

Reason: Board request and efficiency measure.

* **Section 31.** This amendment provides for an honorarium payment to PERS board members consistent with that paid to members of the Alaska State Pension Investment Board (currently \$150/day) and recognizes the significant workload entrusted to board members. This provision requires no general fund money. It is financed by the PERS fund. The TRS parallel is section 3.

Reason: Board request.

* **Section 32.** This section allows the PERS Board to adopt regulations defining a quorum for the conduct of its business. Subsection 12 is added giving the PERS Board authority over setting the contribution surcharge for noncertificated school district employees who elect to have their service calculated using the TRS schedule. This provision was added through Senate Bill 9, which passed last session. This section brings the setting of the contribution surcharge into an open forum. The TRS parallel is section 4.

Reason: Board request/clarification of legal authority.

* **Section 33.** The first part of this section clarifies that the PERS board has the authority to adopt regulations for the conduct of hearings. The second part addresses an inconsistency in statute relating to the issuance of subpoenas, administration of oaths, depositions and affidavits. The board already has similar authority to that addressed in this subsection, but curiously only for hearings concerning waivers of

adjustments under AS 39.35.522. This new subsection extends that authority to all board hearings. However, the scope of the authority is limited to the hearing proceedings themselves, and by its terms does not extend to prehearing discovery. The goal is to ensure that appropriate evidence may be presented at a hearing without complicating proceedings by broadening the scope to prehearing discovery. In addition, this is added to allow the board to appoint hearing officers to hear and decide appeals. This provision would allow (but not necessarily require) the board to appoint hearing officers for these situations. By regulation, the Board could identify the types of appeals it might hear itself and set qualifications for hearing officers. Appellants would always have the option to appeal to the Board, even if a hearing officer has considered their cases.

If the board's vote on an appeal is a tie vote of those members present and voting, the administrator's decision is affirmed; the board, by regulation, shall provide for a method for it to reconsider a decision it has reached. This codifies the current and past practice of the board. Finally, this section adds final decisions of the board may be appealed by an aggrieved party to the superior court. The TRS parallel is section 5.

Reason: Board request. This provision restates rights that exist as a matter of case law, and also amplifies that a "final" decision by the board is a precondition to further appeal.

* **Section 34.** This amendment clarifies a conflict that existed in statute. This clarification places retirement system eligibility of employees, including compensated elected officials, in the control of the employer.

Reason: Addresses conflict in statute.

* **Section 35.** This section eliminates an inequity in current law. Currently, a PERS member who retires early (not under the RIP) and returns to work receives a penalty for their early retirement. On returning to work, the member's early retirement benefit stops. When the member subsequently retires, their early retirement benefit resumes

and they receive a second benefit based on their reemployment service. There is no adjustment for the early retirement benefits foregone. This section will authorize the division to make an actuarial adjustment to make the member whole. This same inequity would be corrected for level income option benefit recipients who return to work before age 65. It is anticipated that this section will have no financial impact to the TRS fund. The TRS parallel is section 6.

Reason: Addresses inequity in current law and member request.

* **Section 36.** This amendment removes the irrevocability of election by a noncertificated school district employee under authority of SB 9, which passed last legislative session.

Reason: Clarification of SB 9, which passed the last legislative session.

* **Section 37.** This amendment removes the irrevocability of an election by a noncertificated school district employee under authority of SB 9, which passed last legislative session. Revocation would only be allowed when a person changes their work status from seasonal to full year employment (and vice versa).

Reason: Clarification of SB 9, which passed the last legislative session.

* **Section 38.** Adds a new section that sets out the conditions under which a qualified employee of the State of Alaska may make an election once they have passed the initial opportunity at hiring.

Reason: Clarification of SB 9, which passed the last legislative session.

* **Section 39.** This amended to remove the irrevocability of election as this does not consider those instances when a qualified employee of a school district, regional educational attendance area or other qualified employer may change their work status from seasonal to full year employment.

Reason: Clarification of SB 9, which passed the last legislative session.

* **Section 40.** Adds a new section that sets out the conditions under which a qualified employee of a school district, regional educational attendance area or other qualified employer may make an election once they have passed the initial opportunity at hiring.
Reason: Clarification of SB 9, which passed the last legislative session.

* **Section 41.** This amends a section of the PERS statute requiring, unless there are extraordinary circumstances, a member to file a nonoccupational disability application within 90 days after the member terminated employment. The TRS parallel is section 9.
Reason: Establishes consistency between PERS and TRS disability requirements.

* **Section 42.** This adds a subsection to the PERS statute requiring, unless there are extraordinary circumstances, a member must file an occupational disability application within six months of the date the member's disability began or 90 days after the member terminated employment (whichever is later). The TRS parallel is section 9.
Reason: Establishes consistency between PERS and TRS disability requirements.

* **Section 43.** Clarifies language regarding the "level income option" that was repealed effective July 1, 1996. This section simply recognizes that people hired before that date have a right to the level income option.
Reason: State Constitution requirement.

* **Section 44.** Amends PERS language to clarify that an alternate payee under a qualified domestic relations order (QDRO) has a right to the contribution account of a member, not just any benefit payment. TRS parallel is Section 13.
Reason: This clarifies and simplifies QDRO procedures.

* **Section 45.** Adds language that allows the PERS to pay a lump sum distribution directly to an Individual Retirement Account - IRA. The parallels are sections 14 (TRS), 23 (JRS), 26 (NGNMRS) and 59 (EPORS).
Reason: Simplifies procedures for members.

* **Section 46.** Removes requirement that the PERS board must rule on a waiver of adjustment appeal within 120 days of its receipt. The purpose is to have a consistent process for all appeals. TRS parallel is Section 11.

Reason: Board request to increase flexibility to appellants and the PERS.

* **Section 47.** This repeals language no longer needed with the additions to AS 39.35.077. Makes the hearing process consistent for all types of hearing. This supports section 33.

Reason: The purpose is to have a consistent process for all appeals.

* **Section 48.** This repeals language no longer needed with the additions to AS 39.35.077. Makes the hearing process consistent for all types of hearing. This supports section 33.

Reason: The purpose is to have a consistent process for all appeals.

* **Section 49.** This section adds language in PERS authorizing the division's long-standing practice of deducting retiree insurance premiums (medical, dental, vision, audio, and long-term care) from retirement checks. The parallels are sections 10 (TRS) and 24 (JRS).

Reason: Codifies practice.

***Section 50.** This amendment protects PERS employers from costs arising from requests by employee groups to change their retirement system coverage.

Reason: System efficiency.

***Section 51.** This section updates PERS statutes relating to fraud, making such actions class A misdemeanors. TRS parallel is in Sections 15 and 16.

Reason: Clarification of the law.

* **Section 57.** Repeals sections relating to PERS board hearings that are no longer necessary with the addition of AS 39.35.077 in Section 33.

Reason: Addresses statutory consistency.

***Section 58.** Allows an EPORS member to receive a refund of any principle or interest paid on prior indebtedness. Also grants EPORS members the right to repay an indebtedness at any time up to the time of retirement. This language makes EPORS rules consistent with other state retirement systems. Parallels section 22 (JRS).

Reason: Makes EPORS statute consistent with PERS and TRS.

***Section 59.** Places qualified domestic relations order (QDRO) language in EPORS which is equivalent to that contained in FERS and TRS statutes. Also creates the mechanism for members to transfer their contribution account to another qualified plan or IRA. The parallels are sections 13 and 18 (TRS), 25 (JRS), 26 (NGNMRS), 44 and 55 (PERS).

Reason: Makes EPORS statute consistent with PERS and TRS.

* **Section 60.** Parallels Section 28, which separates the PERS Board from the Personnel Board. Addresses length of initial appointment of PERS Board appointees.

Reason: Ensures continuity of membership on the PERS Board.

***Section 52.** This section clarifies the purposes of Senate Bill 9, enacted during the 1999 legislative session. Under SB9, a person can elect to receive a year of service credit for working at least 172 days in a school year. This amendment clarifies calculation of average monthly compensation for this group.

Reason: Legal clarification.

*** Section 53.** Adds language in PERS that defines a compensation limit for pension plan purposes for all members first hired on or after July 1, 1996. All members hired after that date must follow the limitations set by Section 401(a)(17) of the IRS code (initially set at \$150,000). The parallels are sections 17 (TRS) and 21 (JRS).

Reason: Compliance with federal law.

*** Section 54.** Clarifies that the income and interest earned by the PERS fund belong to the fund. Codifies the practice in place since PERS was established in the 1960s and the trust requirements of the retirement fund. The TRS parallel is section 19.

Reason: Codifies practice.

*** Section 55.** Companion to Section 44. Amends the PERS definition of QDRO to clarify that a former spouse has a right to the contribution account of a member. Current language limits the former spouse to the benefit payable. The parallels are sections 13 (TRS), 25 (JRS), 26 (NGNMRS) and 59 (EPORS).

Reason: Addresses legal inconsistency.

*** Section 56.** Both the PERS and the TRS statutes require appointment of physician board members to hear disability appeals. Due to the disclosure requirements of AS 39.50 (especially disclosure of individual patients), the division and the Governor's Office have had great difficulty recruiting physicians to board appointment. This would amend the law to remove physicians appointed to the PERS and TRS boards from the definition of public official under AS 39.50.

Reason: Conflict with patient confidentiality.

* **Section 57.** Repeals sections relating to PERS board hearings that are no longer necessary with the addition of AS 39.35.077 in Section 33.

Reason: Addresses statutory consistency.

***Section 58.** Allows an EPORS member to receive a refund of any principle or interest paid on prior indebtedness. Also grants EPORS members the right to repay an indebtedness at any time up to the time of retirement. This language makes EPORS rules consistent with other state retirement systems. Parallels section 22 (JRS).

Reason: Makes EPORS statute consistent with PERS and TRS.

***Section 59.** Places qualified domestic relations order (QDRO) language in EPORS which is equivalent to that contained in PERS and TRS statutes. Also creates the mechanism for members to transfer their contribution account to another qualified plan or IRA. The parallels are sections 13 and 18 (TRS), 25 (JRS), 26 (NGNMRS), 44 and 55 (PERS).

Reason: Makes EPORS statute consistent with PERS and TRS.

* **Section 60.** Parallels Section 28, which separates the PERS Board from the Personnel Board. Addresses length of initial appointment of PERS Board appointees.

Reason: Ensures continuity of membership on the PERS Board.

**CS House Bill 335 (Finance)
Sectional Analysis**

Section	System	Explanation
1	All	This section exempts member records, including retiree records, under the Public Records Act, thereby making member name, address, and other information confidential. The Division of Retirement and Benefits' regulations 02 AAC 35.860 and 02 AAC 36.820 making member records confidential was struck down by the Alaska Superior Court (on the grounds that we needed a specific exemption under the Public Records Act). This change would, once again, protect member records. In addition, this section limits release of member records only under specific, authorized circumstances
2, 30	TRS/PERS	This change would simplify the appointment process by requiring the Governor to appoint two physicians and two alternate physicians to serve on the TRS and PERS Board. This amendment also provides that when two physicians are not available, one physician may satisfy the quorum rules for a medical disability case. There is difficulty in appointing physician members and scheduling meetings to mesh with the schedules of those who have been appointed. Efficiencies and cost savings would follow if but one physician member would satisfy the statute, provided there is a need.
3, 31	TRS/PERS	This amendment would provide for an honorarium payment to TRS/PERS Board members consistent with that paid to members of the Alaska State Pension Investment Board (currently \$150/day) recognizing the significant workload and responsibility entrusted to board members. This provision requires no general fund money. It is financed by the TRS and PERS funds.
4,32	TRS/PERS	This allows each board to adopt regulations defining a quorum for the conduct of its business.
5, 33	TRS/PERS	This section makes the hearing process consistent for all hearings and between PERS and TRS. In addition, the board would be allowed to appoint hearing officers to hear and decide appeals. This provision would allow (but not necessarily require) the board to appoint hearing officers for these situations. By regulation, the Board could identify the types of appeals it might hear itself and set qualifications for hearing officers. Appellants would always have the option to appeal to the Board, even if a hearing officer has considered their cases. Subsection (c) adds that if the board's vote on an appeal under this section is a tie vote, the administrator's decision is affirmed; the board, by regulation, shall provide for a method for it to reconsider a decision it has reached. This codifies the current practice of the board. Subsection (d) allows any person to appeal a final administrative decision to the superior court.
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**CS House Bill 335 (Finance)
Sectional Analysis**

Section	System	Explanation
7	TRS	This section is amended based on the long-standing policy that the eight year vesting requirement in TRS must be met with at least five years of membership service with the balance made up of Alaska BIA service. The current statute requires a person to have at least three years of BIA service for that service to apply to vesting.
8	TRS	The TRS statute allows a disabilitant to receive an additional 10 percent for each dependent child. It does not clearly state 10 percent of what. This section clarifies the division's long-standing interpretation that the dependent child benefit is 10 percent of the member's base salary immediately before becoming disabled.
9, 41, 42	TRS/PERS	This adds a section to the TRS/PERS statute requiring, unless there are extraordinary circumstances, a member to file a disability application within six months of the date the member's disability began or 90 days after the member terminated employment (whichever is later). The change will make the PERS and TRS filing requirements the same.
10, 24, 49	TRS/PERS/ RS	Adds language authorizing the division's long-standing practice of deducting retiree insurance premiums (medical, dental, vision, audio, and long-term care) from retirement checks.
11, 12, 46, 47, 48, 57	TRS/PERS	This repeals language no longer needed with the additions to in Sections 5 and 33. Makes the hearing process consistent for all types of hearing.
13, 18, 23, 25, 26, 44, 55, 59	All	Amends language to clarify that an alternate payee has a right to the contribution account of a member, not just any benefit payment. This will add significant convenience and protection to members and alternate payees.
14, 23, 26, 45, 59	All	Adds language that allows the retirement system to pay a lump sum distribution directly to another plan or to an Individual Retirement Account - IRA. Without this, division must pay the contribution account balance to the former member, who must then write a check to the IRA custodian.
15, 16, 51	TRS/PERS	Update statutes relating to fraud, making such actions class A misdemeanors.
17, 21, 53	TRS/PERS/ RS	Adds language that sets an upper compensation limit for pension plan purposes for all members first hired on or after July 1, 1996. For this purpose, pension plan employee contributions cannot exceed the limits set out in federal regulations. All members hired after that date must follow the limitations set by Section 401(a)(17) of the IRS code (initially set at \$150,000). This section is necessary for the system to comply with federal law.
19, 54	TRS/PERS	Clarifies that the income and interest earned by the retirement fund belong to the fund. Codifies the practice in place since these funds were established and the trust requirements of the retirement funds.
20	TRS	This section changes the definition to make any Department of Education member subject to the same definition as all other members; namely, certification and being in a position requiring a teaching or administrator's certificate as a condition of employment.

**CS House Bill 335 (Finance)
Sectional Analysis**

Section	System	Explanation
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27	All	Adds language specifically authorizing self-insurance of retiree medical, dental, vision, audio, and long-term care plans. This authorization applies to PERS, TRS, JRS and EPORS.
28	PERS	This section makes PERS board membership separate from the Personnel Board. Currently the three appointed members on the PERS Board serve by virtue of their appointment to the Personnel Board. This would make PERS Board appointment separate. Rationale: the PERS Board meets almost monthly to hear disability appeals and has other broad responsibilities. The level of activity has risen to the point where separate appointment is appropriate.
29	PERS	Adds language to change how the winner in a PERS board election is determined. Current language uses the term "majority." A majority of votes cast means the winner must receive greater than 50% of the cast votes. This is virtually impossible since a PERS board election usually draws ten or more candidates. The use of the term "majority" virtually assures a runoff election, therefore doubling the cost of the election process. With this change the winner is the person who receives the most votes.
32	PERS	Gives the PERS Board authority over setting the contribution surcharge for noncertificated school district employees who elect to have their service calculated using the TRS schedule. This provision was added through Senate Bill 9, which passed last session. This section brings the setting of the contribution surcharge into an open forum.
34	PERS	This amendment clarifies a conflict that existed in statute. This clarification places retirement system eligibility of employees, including compensated elected officials, in the control of the employer (i.e. city council).
36, 37, 38, 39, 40	PERS	This amendment removes the irrevocability of an election by a noncertificated school district employee under authority of SB 9, which passed last legislative session. Revocation would only be allowed when a person changes their work status from seasonal to full year employment (and vice versa).
43	PERS	Clarifies language regarding the "level income option" that was repealed effective July 1, 1996. This section simply recognizes that people hired before that date have a right to the level income option.
50	PERS	This amendment protects PERS employers from costs arising from requests by employee groups to change their retirement system coverage.
52	PERS	This section clarifies the purposes of Senate Bill 9, enacted during the 1999 legislative session. Under SB9, a person can elect to receive a year of service credit for working at least 172 days in a school year. This amendment clarifies calculation of average monthly compensation for this group.

CS House Bill 335 (Finance)
Sectional Analysis

56	TRS/PERS	Both the PERS and the TRS statutes require appointment of physician board members to hear disability appeals. Due to the disclosure requirements of AS 39.50 (especially disclosure of individual patients), the division and the Governor's Office have had great difficulty recruiting physicians to board appointment. This would amend the law to remove physicians appointed to the PERS and TRS boards from the definition of public official under AS 39.50.
60	PERS	Parallels Section 28, which separates the PERS Board from the Personnel Board. Addresses length of initial appointment of PERS Board appointees.

Alaska State Legislature



Representative Bill Hudson

State Capitol
Juneau, Alaska
99801-1182
Phone: (907) 465-3744
Fax: (907) 465-2273

Committees:
Chair
Fisheries
Utilities Restructuring
Member
Transportation
State Affairs

SPONSOR STATEMENT

HB 335, Retirement and Benefits Clean-up Legislation

HB 335 has been introduced at the request of the Division of Retirement and Benefits, and is essentially a cleanup bill. According to the department, there are federal laws, court settlements and other technical issues that need to be addressed in an updated state law. Also addressed in this legislation are some efficiency measures requested by the various retirement boards. There has not been a cleanup bill in many years and many of the issues addressed in HB 335 are longstanding ones.

This legislation is aimed at addressing issues involving clarification of current practices and law, compliance with new federal laws, compliance with various settlements, and board efficiencies. We have made every effort to stay away from policy changes and just address the cleanup issues.

There is nothing in this legislation that enhances or diminishes any retirement benefit for active employees or retirees in any public retirement system, and no section in this bill will increase the employers costs.

Thank you for your consideration.

PUBLIC EMPLOYEES' RETIREMENT BOARD

c/o DIVISION OF RETIREMENT AND BENEFITS
P. O. BOX 110203
JUNEAU, ALASKA 99811-0203

PAT WELLINGTON, Chair
Anchorage
PETER HALLGREN, Vice Chair
Delta Junction
CHARLIE PARR
Fairbanks
CHARLES BORG
Anchorage

FEB 2 2000

February 14, 2000

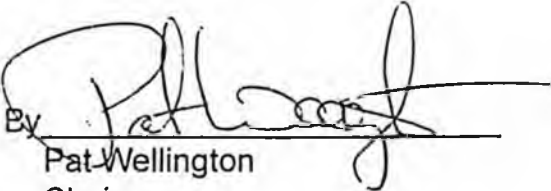
Representative Bill Hudson
Alaska State Legislature
State Capitol, Room 108
Juneau, Alaska 99801-1182

RE: Support for HB 335 (PERB/TRB Legislation)

Dear Representative Hudson:

The Public Employees' Retirement Board appreciates your introduction of HB 335, a bill designed to provide needed amendments to the Public Employees' Retirement System (as well as other retirement system) statutes. The Board supports your efforts and will contact other representatives and senators as the bill makes its way through the legislative process. We look forward to your continued support, and the Board appreciates your efforts.

**PUBLIC EMPLOYEES'
RETIREMENT BOARD**

By 
Pat Wellington
Chair

cc: Guy Bell, Director
Division of Retirement and Benefits

**CS House Bill 335 (Finance)
Sectional Analysis**

Section	System	Explanation
1	All	This section exempts member records, including retiree records, under the Public Records Act, thereby making member name, address, and other information confidential. The Division of Retirement and Benefits' regulations 02 AAC 35.860 and 02 AAC 36.820 making member records confidential was struck down by the Alaska Superior Court (on the grounds that we needed a specific exemption under the Public Records Act). This change would, once again, protect member records. In addition, this section limits release of member records only under specific, authorized circumstances.
2, 30	TRS/PERS	This change would simplify the appointment process by requiring the Governor to appoint two physicians and two alternate physicians to serve on the TRS and PERS Board. This amendment also provides that when two physicians are not available, one physician may satisfy the quorum rules for a medical disability case. There is difficulty in appointing physician members and scheduling meetings to mesh with the schedules of those who have been appointed. Efficiencies and cost savings would follow if but one physician member would satisfy the statute, provided there is a need.
3, 31	TRS/PERS	This amendment would provide for an honorarium payment to TRS/PERS Board members consistent with that paid to members of the Alaska State Pension Investment Board (currently \$150/day) recognizing the significant workload and responsibility entrusted to board members. This provision requires no general fund money. It is financed by the TRS and PERS funds.
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CS House Bill 335 (Finance)

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CS House Bill 335 (Finance)
Sectional Analysis

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POM for Senator Ward



From: Ms. Anita J Byers
PO Box 865

Telephone: 262-6188

Soldotna, AK 99669

NON Constituent

Registered Voter: U

Email:

Bill: HB 335 Title: STATE RETIREMENT SYSTEMS AND BENEFITS
Message:

As a support employee of KPBSD, I urge you to move HB 335 out of your committee and vote for its passage this session.

Entered in SOL on 4/18/00 POMID: 6144

Distribution: 5

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Message 26 out of 45.

Alaska State Legislature



REPRESENTATIVE BILL HUDSON

State Capitol
Juneau, Alaska
99801-1182
(907) 465-3744
Fax (907) 465-2273

COMMITTEES

CHAIR
Fisheries Committee
Utility Restructuring Committee

MEMBER
State Affairs Committee
Transportation Committee

MEMORANDUM

TO: Senator Jerry Ward, Chair; Senate State Affairs Committee
FROM: Representative Bill Hudson
DATE: March 21, 2000
RE: **Scheduling, HB 335, Retirement and Benefits Clean-up Legislation**

I would like to respectfully request that you schedule HB 335, An act relating to Retirement and Benefits for a hearing as soon as possible.

HB 335 has been introduced at the request of the Division of Retirement and Benefits, and is essentially a cleanup bill. According to the department, there are federal laws, court settlements and other technical issues that need to be addressed in an updated state law. Also addressed in this legislation are some efficiency measures requested by the retirement boards.

This legislation is aimed at addressing issues involving clarification of current practices and law, compliance with new federal laws, compliance with various settlements, and board efficiencies. We have made every effort to stay away from policy changes and just address the cleanup issues. There is nothing in this legislation that enhances or diminishes any retirement benefit for active employees or retirees in any public retirement system.

This legislation passed the House unanimously and it is my goal to see it passed this year. Thank you for considering my request.



GARY WILKEN

SENATOR
Districts 29 & 30
West Fairbanks

Senate Standing Committees

Member: Finance
Member: Health, Education, &
Social Services (HESS)
Member: Legislative Budget & Audit
Member: State Affairs



During Session:
State Capitol Building
Juneau, Alaska 99801-1182
Tel: (907) 451-5501 (in Fbks area)
Tel: (907) 465-3709 (outside Fbks)
Fax: (907) 465-4714
Website: www.garywilken.com
E-Mail: Senator_Gary_Wilken@legis.state.ak.us

Interim:
1851 Fox Ave
Fairbanks, Alaska 99701
Tel: (907) 451-5501
Fax: (907) 451-0438

MEMORANDUM

DATE: April 5, 2000

TO: Senator Jerry Ward, Chair
Senate State Affairs Committee

FROM: Senator Gary Wilken

RE: Hearing Request for House Bill 335

I respectfully request that House Bill 335, relating to Alaska's Public Employee Retirement System (PERS), be scheduled for a hearing in the State Affairs Committee.

This bill addresses some incongruencies in the laws governing the PERS system that the state's Division of Retirement and Benefits have sought to rectify for many years now. It also completes our work on the intent behind my bill, Senate Bill 9, that the Legislature passed into law last year. I'm sure you can agree that we have a vested interest in ensuring that our retiring employees are given a smooth and reasonable process for realizing a well-deserved, and paid for, retirement benefit.

Please help the Division and all members of the statewide PERS system see this much needed legislation continue onward through the Legislative process.

Thank you for your consideration.

A handwritten signature in cursive script, appearing to read "Gary Wilken".

(enclosures)

Cc: (S) State Affairs Committee



ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the (S) STATE AFFAIRS

Committee on HB 335 Committee Name Dated 4/19/00

Bill / Subject
I appreciate that bill has been scheduled and I sincerely hope it will be passed this session.

This bill includes several points clarifying the ~~SB~~ intent of SB9, which you passed last year to allow school term PERS employees to chose the option of full-year credit (at their expense). In addition it would allow for an employee to change their choice if they move from school term to year round employment - a basic issue of fairness in my opinion.

This bill might be house keeping but it is necessary in order for SB9 to be implemented fairly - Thanks you.

SIGNED:

Karen E. Eddy

Testifier

V.P. of Education Support Staff Assoc.

Representing

907-452-6060

Address / Phone Number

4-19-00

State

Senate Affairs Committee Members
Jerry Ward, Chair

RE: HB 335

Please approve HB 335 which would allow current 12 month employees who may be reduced to 9 or 10 months down the road to opt in to the year for year buy and conversely allow current 9/10 month employees who become a 12 month employee down the road, to opt out.

This is a fairness issue for public employees. It does not cost the state money!!! It only allows us the opportunity to purchase additional months or quit paying for months that we might no longer need.

We support this legislation as a fair and equitable solution for the current retirement system for seasonal public employees

Cynthia Farrans, PO Box 3821, Homer 99603

Daryl Farrans, ✓ ✓

Viki L. Geale, Homer

Helen Desjard, Homer

Cynthia McManus, Homer

Cynthia K Smith, Homer

Amy Morris, Homer

Jamune Bishop, Homer



Alaska State Legislature

Please enter into the record my testimony to the _____ SSTA _____
committee name

Committee on _____ HB 335 _____, dated _____ 4/19/00 _____
bill # / subject

*Please accept following as
written testimony*

Signed: _____ Mrs. Anita G. Byers _____
Testifier

Representing (optional)

_____ P.O. Box 865 _____
Address

_____ 2626188 _____
Phone number

Name: _____
Address: _____

Thank you for the opportunity to speak to you on this very important bill. This bill contains many changes to the retirement system I am only speaking to sections 37, 38, 39, and 40 of this bill; others can speak to other sections of the bill. I am speaking on behalf of the Support Employees in Kenai. These sections of the bill will allow support employees whose job status changes at some time in the future to make a different decision when and if that happens. If you don't pass this bill these employees will be paying for a benefit and not receiving any additional service. Under the current law a person must guess what their job status will be in the future as they make their choice. House Bill 335 is that clarifies some of the issues in SB 9. This is an oversight that occurred in SB 9 and HB 335 will fix the oversight. This will allow for members who are paying for this service to revoke their choice under some very strict guidelines if their job status changes in the future. Please move HB 335 from your Committee so that these lowest paid school employees could afford to make an informed decision on this issue.

Thank you for the opportunity to testify on this bill.

(This is found on page 20, 21 and 22 of the bill)



ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the

Senate State AffairsCommittee on HB 335

Committee Name

Dated 19 April 2000

Bill / Subject

I am the president of a union that represents ^{many} school district employees that only have the opportunity to work during the school year. We are concerned about some misunderstandings that have occurred with the implementation of SB9 and we are pleased that you are taking the time to look at HB335.

Many of our members will transfer within the district seeking better opportunities and it would be important for them to have the ability to revoke their option if necessary.

This bill will make clear and ensure the correct implementation of SB9 as originally intended.

Thank you for scheduling this important bill so that it can get through this year.

SIGNED:

Testifier

David C. Parsons
 The Education Support Staff Assn

Representing

2118 S. Cushman St. Fairbanks, AK 99701
 Address / Phone Number



ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the (S) STATE AFFAIRS

Committee on HB 335 Committee Name Dated 4/19/00

Bill / Subject

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SIGNED:

Karen E. Eddy

Testifier

V.P. of Education Support Staff Assoc.

Representing

907-452-6060

Address / Phone Number



ALASKA STATE LEGISLATURE

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 Committee on HB 335 Committee Name Dated 19 April 2000
Bill / Subject

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Testifier

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Representing

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 Address / Phone Number