

**HB**

**306**

<TARGET><BILL>HB 306</BILL><SUBJECT>HB  
306</SUBJECT><COMM>HL&C30</COMM></TARGET>



THE STATE  
of **ALASKA**  
GOVERNOR BILL WALKER

**Department of Administration**

LESLIE RIDLE, Commissioner

10<sup>th</sup> Fl. State Office Building  
PO Box 110200  
Juneau, AK 99311-0200  
Main: 907.465.2200  
Fax: 907.465.2135  
[www.doa.alaska.gov](http://www.doa.alaska.gov)

January 29, 2018

The Honorable Sam Kito, Chair  
House Labor & Commerce Committee  
State Capitol Building, Room 124  
Juneau, AK 99801

Dear Representative Kito:

The Department of Administration (DOA) respectfully requests that HB 306, "PERS/TRS Distributions" be considered for a scheduled hearing in the House Labor & Commerce Committee.

This bill would allow DOA's Division of Retirement and Benefits to expand options through regulation for the types of distribution available to a state retirement plan participant at retirement. This bill is a response to recommendations by the Alaska Retirement Management Board (ARMB) to be more flexible in responding to participant needs.

We greatly appreciate your consideration of this important piece of legislation. If you need additional information, please contact Minta Montalbo, Special Assistant to the Commissioner for the Department of Administration at (907) 465-2200.

Sincerely,

A handwritten signature in cursive script that reads "Leslie D. Ridle".

Leslie Ridle, Commissioner

CC: Darwin Peterson, Legislative Director, Office of the Governor

STATE CAPITOL  
P.O. Box 110001  
Juneau, AK 99811-0001  
907-465-3500  
fax: 907-465-3532



550 West Seventh Avenue, Suite 1700  
Anchorage, AK 99501  
907-269-7450  
fax 907-269-7461  
[www.Gov.Alaska.Gov](http://www.Gov.Alaska.Gov)  
[Governor@Alaska.Gov](mailto:Governor@Alaska.Gov)

**Governor Bill Walker**  
STATE OF ALASKA

January 23, 2018

The Honorable Bryce Edgmon  
Speaker of the House  
Alaska State Legislature  
State Capitol, Room 208  
Juneau, AK 99801-1182

Dear Speaker Edgmon,

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill relating to disbursement options for the defined contribution retirement plans.

In 2005, the state established a defined contribution retirement plan for certain employees of the State, political subdivision, or public organization of the State. The plan applies to qualified members of the public employees' retirement system (AS 39.35), and the teachers' retirement system (AS 14.25) hired after July 1, 2006. Each plan includes provisions for membership, participation, contributions by members and employers, and distribution of a participant's share.

Currently, the law places statutory restrictions on the forms of distribution. Unfortunately, for plan participants, the statutory options have proven to be inflexible and serve to limit plan participant options. The Division of Retirement and Benefits has found through surveys that plan participants desire further options, including an option for a guaranteed lifetime income product. To meet this need, the Department of Revenue (DOR) and the Department of Administration (DOA) are considering available options and will make those recommended options available for consideration by the Alaska Retirement Management Board in the spring of 2018.

This bill would provide DOA with the ability to put plan options in regulation. Through the regulation process, DOA would have more flexibility to respond to participant needs. This will result in better options for participants, enhance the desirability of public service as a career, and provide a more stable financial future for plan participants.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in blue ink that reads "Bill Walker".

Bill Walker  
Governor

Enclosure

# Fiscal Note

State of Alaska  
2018 Legislative Session

Bill Version:	HB 306
Fiscal Note Number:	1
(H) Publish Date:	1/24/2018

Identifier: DOA-DRB-01-16-18  
 Title: PERS/TERS DISTRIBUTIONS  
 Sponsor: RLS BY REQUEST OF THE GOVERNOR  
 Requester: Governor

Department: Department of Administration  
 Appropriation: Centralized Administrative Services  
 Allocation: Retirement and Benefits  
 OMB Component Number: 64

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2019	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2019 Request	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>OPERATING EXPENDITURES</b>	<b>FY 2019</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Fund Source (Operating Only)**

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Positions**

Full-time							
Part-time							
Temporary							

**Change in Revenues**

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Estimated SUPPLEMENTAL (FY2018) cost:** 0.0 *(separate supplemental appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**Estimated CAPITAL (FY2019) cost:** 0.0 *(separate capital appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes  
 If yes, by what date are the regulations to be adopted, amended or repealed? 07/01/18

**Why this fiscal note differs from previous version/comments:**

Not applicable, initial version

Prepared By:	Ajay Desai	Phone:	(907)465-4471
Division:	Retirement and Benefits	Date:	01/16/2018 12:00 AM
Approved By:	Leslie Ridle, Commissioner	Date:	01/16/18
Agency:	Department of Administration		

FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2018 LEGISLATIVE SESSION

**Analysis**

This bill amends AS 14.25.420(a) and AS 39.35.820(a) to remove the list of disbursement options from statute and move the options to regulations. New language removes the list of disbursement options and replaces it with general language authorizing a lump sum payment of the entire balance or a periodic payment option authorized by the regulations.

This change will allow more flexibility to the Plan Administrator, with adoption by the Alaska Retirement Management Board, to add new options as they become available and are of benefit to participants. Future disbursement options will go through the regulatory process with public notice to all stakeholders and interested parties.

This bill has zero fiscal impact.



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## Department of Administration

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### **HB 306 PERS/TRS Disbursement Options: Sectional Analysis**

**Section 1:** Amends AS 14.25.420(a) to allow for distribution options for participants in the Teachers' Retirement System (TRS) defined contribution plan to be authorized by regulation.

**Section 2:** Amends AS 39.35.820(a) to allow for distribution options for participants in the Public Employees' Retirement System (PERS) defined contribution plan to be authorized by regulation.

**Section 3:** Adds section to the uncodified law to allow the Department of Administration to adopt regulations as necessary to implement this legislation.

**Section 4:** Establishes an immediate effective date.

# HB 306 / SB 159 PERS/TRS Disbursement Options



Presented by  
Deputy Commissioner Sylvan Robb  
Deputy Director Kathy Lea

# Proposed Change

- The Alaska Retirement Management Board (ARMB) must be able to add or change distribution options easily and in a relatively short timeframe.
- Our proposal is to move disbursement options from statute into regulation to allow for a faster response to participant needs.
- The ARMB unanimously approved this proposal.

# The Issue

- The PERS/TRS DCR (Tier IV) plans use the statutes as the plan document.
- Any changes to modernize options or to meet new Internal Revenue requirements require a statutory change.
- Statutory changes can take several sessions to accomplish, if at all.
- Meanwhile, participants needs are being unmet.
- This bill would give the DCR plans the same flexibility as the SBS and Deferred Compensation plans.

# PERS/TRS DCR Needs

- The PERS/TRS DCR plans have vested employees who are retiring and need help facing the challenges of retirement.
- The ARMB Defined Contribution Subcommittee is exploring options that will help participants:
  - not outlive their retirement savings,
  - address purchasing power over time, and
  - protect against market uncertainty.

# Transparent Process for Change

- Discussions regarding disbursement options are done in a public forum during the selection process.
- Participants and groups representing participants will have input during subcommittee and ARMB committee meetings.
- The process remains public and transparent, but allows for faster adoption of needed change.
- All interested parties are notified of any changes through the regulation process.

# Questions?

For more information on Department of Administration services, priorities, or other issues, please contact:

Minta Montalbo, Legislative Liaison

[minta.Montalbo@Alaska.gov](mailto:minta.Montalbo@Alaska.gov)

465-2200