

ALBANY FILES, 2005-2006 7/98

1703 HOURS AFTER

1 is appointed to retirement."

2

3 Page 35, line 31, following ""normal retirement age"":

4 Delete "means 65 years of age"

5 Insert "means 60 months less than the age set for Medicare eligibility at the time the  
6 member retires"

7

8 Page 58, lines 19 - 20:

9 Delete "within five years after the date of termination"

10

11 Page 58, line 21, following "trust":

12 Delete ", without interest or other adjustment."

13 Insert "with interest. The prior period of employment with a participating employer  
14 shall be credited towards eligibility for medical benefits."

15

16 Page 58, line 24, following "plan":

17 Insert ", except members do not have to retire directly from the system"

18

19 Page 92, line 1, through page 94, line 18:

20 Delete all material and insert:

21 "Sec. 39.35.870. Retirement. (a) In order to obtain medical benefits under  
22 AS 39.35.880 an active member must retire directly from the plan. A member is  
23 eligible to retire from the plan if the member has been an active member for at least 12  
24 months before application for retirement and

25 (1) the member has at least 30 years of membership service; or

26 (2) the member reaches the normal retirement age and has at least 10  
27 years of membership service.

28 (b) The normal retirement age is 60 months less than the age set for Medicare  
29 eligibility at the time the member retires.

30 (c) A member must apply to the administrator for appointment to retirement.

31 Application shall be made on forms and in the manner prescribed by the administrator.

1 (d) A member who continues in the employ of the employer after reaching  
2 normal retirement age shall continue to participate in the plan and to have  
3 contributions allocated to the member's account.

4 **Sec. 39.35.880. Medical benefits.** (a) The medical benefits available to  
5 eligible persons are access to the retiree major medical plan. Access to the retiree  
6 major medical plan means that an eligible person may not be denied medical coverage  
7 except for failure to pay the required premium.

8 (b) The following persons are eligible for the retiree major medical insurance  
9 plan provided under this section and may elect coverage under it:

10 (1) a member with at least 30 years of service and who retires directly  
11 from the plan;

12 (2) the surviving spouse of a member who elected coverage under (1)  
13 of this subsection;

14 (3) a member who reaches the normal retirement age as provided in  
15 AS 39.35.860, has at least 10 years of service, and retires directly from the plan;

16 (4) the surviving spouse of a member who elected coverage under (3)  
17 of this subsection.

18 (c) Retiree major medical plan coverage elected by an eligible member under  
19 this section covers the eligible member, the spouse of the eligible member, and the  
20 dependent children of the qualified member.

21 (d) Retiree major medical plan coverage elected by the surviving spouse of an  
22 eligible member under this section covers the surviving spouse and the dependent  
23 children of the eligible member who are dependent on the surviving spouse.

24 (e) A person other than an eligible member is not eligible for coverage if,  
25 during the time the eligible member was an active member, the person was

26 (1) not married to the member; or

27 (2) not a dependent child of the member.

28 (f) Major medical coverage takes effect on the first day of the month  
29 following the date of the election and stops when the person who elects coverage  
30 under (b) of this section dies or fails to make a required premium payment.

31 (g) The coverage for persons who are eligible for Medicare is the same as that

1 available for persons who are not yet eligible for Medicare. The benefits payable to  
2 those Medicare eligible persons supplement any benefits provided under the Medicare  
3 program.

4 (h) The medical and optional insurance premiums owed by the person who  
5 elects coverage under (b) of this section shall be deducted from the health  
6 reimbursement arrangement. If the amount of the health reimbursement arrangement  
7 becomes insufficient to pay the premiums, the person who elects coverage under (b) of  
8 this section shall pay the premiums directly.

9 (i) The administrator shall set on an annual basis separate retiree health  
10 coverage premiums for participants who are Medicare eligible and for participants  
11 who are not yet Medicare eligible. An increase in the premium amount may not  
12 exceed five percentage points annually. A participant's share of the applicable  
13 premium shall be determined according to (j) and (k) of this section.

14 (j) Participants who have not attained normal retirement age are required to  
15 pay the full amount of the applicable medical health coverage premium.

16 (k) Participants who have attained normal retirement age are eligible for a  
17 subsidy applicable to the cost of the applicable premium. The subsidy percentage  
18 applicable to the cost of premiums payable by the participant is 30 percent if the  
19 member had 10 years of service; for each additional year of service after the member's  
20 10th year of service, the discount increases by three percentage points; however, the  
21 maximum discount is 90 percent if the member has 30 or more years of service. The  
22 applicable subsidy percentage shall be applied to the subsidy base to determine the  
23 dollar amount of the subsidy that is applied against the cost of the premium.

24 (l) Participants who are eligible for Medicare will use the subsidy base for  
25 Medicare-eligible premiums. Participants who are not yet eligible for Medicare will  
26 use the subsidy base for non-Medicare eligible premiums.

27 (m) The subsidy base for Medicare-eligible participants will be the same as  
28 the premium amount for Medicare-eligible participants in the first year of this plan and  
29 the subsidy base for non-Medicare eligible participants will be the same as the  
30 premium amount for non-Medicare-eligible participants in the first year of this plan.  
31 Each subsidy base will increase five percent each year or the rate at which the actual

1 premium amount increases for the corresponding aged participants, whichever is less.

2 (n) The eligibility for retiree major medical coverage for an alternate payee  
3 under a qualified domestic relations order shall be determined based on the eligibility  
4 of the member to elect coverage. The alternate payee shall pay the full monthly  
5 premium for retiree major medical coverage.

6 (o) The administrator shall establish the monthly group premiums for retiree  
7 major medical coverage. Nothing in AS 39.35.700 - 39.35.895 guarantees a person  
8 who elects coverage under (b) of this section a monthly group premium rate for retiree  
9 major medical coverage other than the premium in effect for the month in which the  
10 premium is due for coverage for that month.

11 (p) A member is eligible to apply for reimbursement from the health  
12 reimbursement arrangement plan after a minimum of 10 years of service and does not  
13 have to retire directly from the system.

14 (q) In this section,

15 (1) "health reimbursement arrangement" means the plan established in  
16 AS 39.30.300;

17 (2) "retires directly from the plan" means that the member has been an  
18 active member for at least 12 consecutive months immediately before the time that the  
19 member applies to the administrator for appointment to retirement and that the  
20 member continues as an active member up through the day before the day the member  
21 is appointed to retirement."  
22

23 Page 101, line 28, following ""normal retirement age"":

24 Delete "means 65 years of age"

25 Insert " means 60 months less than the age set for Medicare eligibility at the time the  
26 member retires"

27

28 Page 105, line 25:

29 Delete "sec. 60"

30 Insert "sec. 61"

31

1 Page 107, following line 30:

2 Insert a new bill section to read:

3 "\* Sec. 140. The uncodified law of the State of Alaska is amended by adding a new section  
4 to read:

5 REPORT TO THE LEGISLATURE BY THE DIVISION OF RETIREMENT AND  
6 BENEFITS. The division of retirement and benefits will provide an annual report to the  
7 legislature regarding the cost savings measures it has implemented by regulation as described  
8 in sec. 1 of this Act."

9

10 Renumber the following bill sections accordingly.

11

12 Page 109, line 19:

13 Delete "SECTIONS 139 AND 140"

14 Insert "SECTIONS 141 AND 142"

15

16 Page 109, line 20:

17 Delete "secs. 139 and 140"

18 Insert "secs. 141 and 142"

19

20 Page 109, lines 21 - 22:

21 Delete "secs. 139 and 140"

22 Insert "secs. 141 and 142"

23

24 Page 109, line 23:

25 Delete "Sections 11, 12, 14, 15, 20, 89 - 94, 107, 114, and 131"

26 Insert "Sections 12, 13, 15, 16, 21, 90 - 95, 106, 115, and 132"

27

28 Page 109, line 25:

29 Delete "Section 141"

30 Insert "Section 142"

31

- 1 Page 109, line 26:
- 2       Delete "secs. 142 and 143"
- 3       Insert "secs. 144 and 145"

AMENDMENT

# 5 → Passed  
Adopted

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: CSSB 141(FIN)

1 Page 46, line 30, following "system":

2 Insert "selected from a list of three to five persons nominated by the members of the  
3 system"

4

5 Page 46, line 31, following "system":

6 Insert "selected from a list of three to five persons nominated by the members of the  
7 system"

8

9 Page 47, line 2:

10 Following "terms of":

11 Delete "three"

12 Insert "six"

13 Following "total of":

14 Delete "three"

15 Insert "two"

16

17 Page 47, line 3, following "served":

18 Delete "three"

19 Insert "two"

20

21 Page 105, line 26, following "AS 39.05.055(7).":

22 Insert "Notwithstanding AS 39.05.055(7), the terms of the two finance officers  
23 appointed under AS 37.10.210(b)(2) and (3), as repealed and reenacted by sec. 59 of this Act,

1 shall be set so that the term of one of the finance officers expires three years apart from the  
2 term of the other finance officer, and the terms of the two members of the retirement systems  
3 appointed under AS 37.10.210(b)(4) and (5), as repealed and reenacted by sec. 59 of this Act,  
4 shall be set so that the term of one of the members expires three years apart from the term of  
5 the other member."

Amendments per/ request of Representative Bob Lynn

*Amendment #6*  
*Adopted*

**Conceptual Amendments to Section 37.10.210**

- Page 46 Line 21: Include one trustee from general public
- Line 29: Include two trustees from PERS
- Line 31: Include two trustees from TRS

**Changes to CSSB 141 to be incorporated in a House State Affairs CS**

Amendment  
# 8  
Adopted

**Requires the Alaska Retirement Board to evaluate the plan's projected liabilities annually**

p. 3 line 12. Insert: "(e) A report of the valuation of the plan's projected liabilities."

Amendment  
# 9  
Held  
Adopted

**Establishes a floor for employer contributions at 11% for TRS and 10% for PERS**

p.8 line 10. Delete "less than" and insert "the lesser of"  
line 11 after "active members" insert "11 percent for TRS employer and 10 percent for PERS employers"

Amendment  
# 10  
Adopted

**Clarifies that membership to the system commences for teachers on their first day of employment**

p. 15. line 13. After "contribution retirement plan." Add "A teacher becomes a member on their first date of employment."

Amendment  
# 11  
Held  
Withdrawn

**Clarifies language**

p. 32 line 10, insert "'member contribution account' means the member's contributions to their defined contribution account plus any accumulated interest."

Amendment  
# 12  
Adopted

**Conceptual revisions to accommodate overall changes to medical portion**

p.35 line 31. Delete "65 years of age" and insert "60 months pre-Medicare eligible age"

p. 54 line 26. Delete "age 65" and insert "60 months pre-Medicare eligible age"  
line 27. Delete "age 65" and insert "60 months pre-Medicare eligible age"

p. 101 line 28. Delete "65 years of age" insert "60 months pre-Medicare eligible age"

Amendment  
# 13  
Adopted

**Allow Department of Labor Instructors to chose between PERS or TRS**

p.14 line. 19. Insert "(D) a full-time or part-time instructor of the Department of Labor and Workforce Development who is a non certificated employee who enters employment covered under AS 25.009 may elect to retain coverage under AS 29.009."

#14

AMENDMENT

Adapted

OFFERED IN THE HOUSE  
TO: CSSB 141(FIN)

BY REPRESENTATIVE GRUENBERG

1 Page 13, following line 11:

2 Insert a new bill section to read:

3 **\*\* Sec. 26.** AS 14.25.210(a) is amended to read:

4 (a) A person who knowingly makes a false statement, or falsifies or permits to  
5 be falsified any record of this plan [SYSTEM], in an attempt to defraud this plan  
6 [SYSTEM], is guilty of a class A misdemeanor [AND FORFEITS ALL RIGHTS  
7 UNDER THIS CHAPTER]."

8

9 Renumber the following bill sections accordingly.

10

11 Page 29, line 30, following "Fraud.":

12 Insert "(a)"

13

14 Page 30, following line 1:

15 Insert a new subsection to read:

16 "(b) In this section, "knowingly" has the meaning given in AS 11.81.900(a)."

17

18 Page 95, line 29, following "Fraud.":

19 Insert "(a)"

20

21 Page 95, following line 31:

22 Insert a new subsection to read:

23 "(b) In this section. "knowingly" has the meaning given in AS 11.81.900(a)."

- 1
- 2 Page 105, line 25:
- 3 Delete "sec. 59"
- 4 Insert "sec. 60"
- 5
- 6 Page 108, line 25:
- 7 Delete "14.25.210"
- 8
- 9 Page 109, line 19:
- 10 Delete "SECTIONS 139 AND 140"
- 11 Insert "SECTIONS 140 AND 141"
- 12
- 13 Page 109, line 20:
- 14 Delete "secs. 139 and 140"
- 15 Insert "secs. 140 and 141"
- 16
- 17 Page 109, lines 21 - 22:
- 18 Delete "secs. 139 and 140"
- 19 Insert "secs. 140 and 141"
- 20
- 21 Page 109, line 23:
- 22 Delete "89 - 94, 107, 114, and 131"
- 23 Insert "90 - 95, 108, 115, and 132"
- 24
- 25 Page 109, line 25:
- 26 Delete "Section 141"
- 27 Insert "Section 142"
- 28
- 29 Page 109, line 26:
- 30 Delete "secs. 142 and 143"
- 31 Insert "secs. 143 and 144"

# CORRECTION

THE FOLLOWING DOCUMENT(S)  
HAVE BEEN REFILMED TO  
ASSURE LEGIBILITY OR PAGINATION



Central Microfilm Service  
Department of Education & Early Development  
State of Alaska

- 1
- 2 Page 105, line 25:
- 3 Delete "sec. 59"
- 4 Insert "sec. 60"
- 5
- 6 Page 108, line 25:
- 7 Delete "14.25.210"
- 8
- 9 Page 109, line 19:
- 10 Delete "SECTIONS 139 AND 140"
- 11 Insert "SECTIONS 140 AND 141"
- 12
- 13 Page 109, line 20:
- 14 Delete "secs. 139 and 140"
- 15 Insert "secs. 140 and 141"
- 16
- 17 Page 109, lines 21 - 22:
- 18 Delete "secs. 139 and 140"
- 19 Insert "secs. 140 and 141"
- 20
- 21 Page 109, line 23:
- 22 Delete "89 - 94, 107, 114, and 131"
- 23 Insert "90 - 95, 108, 115, and 132"
- 24
- 25 Page 109, line 25:
- 26 Delete "Section 141"
- 27 Insert "Section 142"
- 28
- 29 Page 109, line 26:
- 30 Delete "secs. 142 and 143"
- 31 Insert "secs. 143 and 144"

29. AD  
Page 7. Line 30

Page 69 Line 13

↑  
Line 29 - sub control  
and my net spend 10%

→ #15 - profits

and the employees control net my net spend 10%

passed

Line 8

1 \*Sec.59. AS 37.10.210 is repealed and reenacted to read:

2           **Sec. 37.10.210. Alaska Retirement Management Board.** (a) The Alaska  
3 Retirement Management Board is established in the Department of Revenue. The  
4 board's primary mission is to serve as the trustee of the assets of the state's retirement  
5 systems, the State of Alaska Supplemental Annuity Plan, and the deferred  
6 compensation program for state employees. Consistent with standards of prudence,  
7 the board has the fiduciary obligation to manage and invest these assets in a manner  
8 that is sufficient to meet the liabilities and pension obligations of the systems, plan,  
9 and program. The board may with the approval of the commissioner of revenue and  
10 upon agreement with the responsible fiduciary, manage and invest other state funds  
11 so long as the activity does not interfere with the board's primary mission. In making  
12 investments, the board shall exercise the powers and duties of a fiduciary of a state  
13 fund under AS 37.10.071.

14           (b) The Alaska Retirement Management Board consists of eleven [nine]  
15 trustees. The commissioner of administration and the commissioner of revenue shall  
16 serve on the board. The governor shall appoint five [SEVEN ADDITIONAL] trustees  
17 [WHO MEET THE ELIGIBILITY REQUIREMENTS FOR AN ALASKA  
18 PERMANENT FUND DIVIDEND AND] who are professionally credentialed or  
19 have recognized competence in investment management, finance, banking,  
20 economics, accounting, pension administration, or actuarial analysis as follows:

21           (1) three trustees shall be appointed from the general public: a trustee  
22 appointed under this paragraph may not hold another state office, position, or  
23 employment and may not be a member or beneficiary of a retirement system managed  
24 by the board;

25           (2) one trustee shall be employed as a finance officer for a political  
26 subdivision participating in the public employees' retirement system; and

27           (3) one trustee shall be employed as a finance officer for a political  
28 subdivision participating in the teachers' retirement system[;].

→ 29           Two trustees shall be members of the Public Employees' Retirement System elected by  
30           the members of the system. Elections shall be conducted by the board. The two

1 members shall have overlapping terms. At each election, the candidate who receives  
2 the most votes cast in the election is elected to the seat. The governor shall fill a  
3 vacancy in an unexpired elective term by appointment of a member of the system for  
4 the period remaining before the next regularly scheduled election held under this  
5 subsection.

6 Two trustees shall be members of the Teachers' Retirement System elected by the  
7 members of the system. Elections shall be conducted by the board. The two members  
8 shall have overlapping terms. At each election, the candidate who receives the most  
9 votes cast in the election is elected to the seat. The governor shall fill a vacancy in an  
10 unexpired elective term by appointment of a member of the system for the period  
11 remaining before the next regularly scheduled election held under this subsection.

12 [(4) ONE TRUSTEE SHALL BE A MEMBER OF THE PUBLIC  
13 EMPLOYEES' RETIREMENT SYSTEM;

14 (5) ONE TRUSTEE SHALL BE A MEMBER OF THE TEACHERS'  
15 RETIREMENT SYSTEM.]

16 (c) The trustees[, OTHER THAN THE TWO COMMISSIONERS,] shall serve  
17 for staggered terms of three years and may be reappointed or elected to the board for  
18 a total of three consecutive terms. A person who has served three consecutive terms  
19 may not be reappointed to the board for at least one year.

20 (d) The governor may, by written notice to the trustee, remove an appointed [A]  
21 trustee for cause. After a trustee receives written notice of removal, the trustee may  
22 not participate in board business and may not be counted for purposes of establishing  
23 a quorum.

24 (e) A vacancy on the board of trustees shall be promptly filled. A person  
25 filling a vacancy holds office for the balance of the unexpired term of the person's  
26 predecessor, and the balance of the unexpired term served is not included in the three-  
27 term limitation under (c) of this section. A vacancy on the board does not impair the

AMENDMENT

#17 Adopted

OFFERED IN THE HOUSE  
TO: CSSB 141(FIN)

BY REPRESENTATIVE CRUENBERG

- 1 Page 7, lines 9 - 30:
- 2 Delete all material.
- 3
- 4 Renumber the following bill sections accordingly.
- 5
- 6 Page 8, lines 9 - 10:
- 7 Delete "calculated under AS 14.25.052,"
- 8
- 9 Page 68, line 15, through page 69, line 13:
- 10 Delete all material.
- 11
- 12 Renumber the following bill sections accordingly.
- 13
- 14 Page 72, lines 5 - 6:
- 15 Delete "calculated under AS 39.35 162,"
- 16
- 17 Page 105, line 23:
- 18 Delete "sec. 59"
- 19 Insert "sec. 57"
- 20
- 21 Page 108, line 21, following "14.25.047,":
- 22 Insert "14.25.050(a),"
- 23

- 1 Page 109, line 19:  
2 Delete "SECTIONS 139 AND 140"  
3 Insert "SECTIONS 135 AND 136"  
4
- 5 Page 109, line 20:  
6 Delete "secs. 139 and 140"  
7 insert "secs. 135 and 136"  
8
- 9 Page 109, lines 21 - 22:  
10 Delete "secs. 139 and 140"  
11 Insert "secs. 135 and 136"  
12
- 13 Page 109, line 23.  
14 Delete "Sections 11, 12, 14, 15, 20, 89 - 94, 107, 114, and 131"  
15 Insert "Sections 6, 10, 12, 13, 18, 85 - 90, 103, 110, and 127"  
16
- 17 Page 109, line 25:  
18 Delete "Section 141"  
19 Insert "Section 137"  
20
- 21 Page 109, line 26:  
22 Delete "secs. 142 and 143"  
23 Insert "secs. 138 and 139"

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**REPRESENTATIVE Paul Seaton**

District 35

**Amendments that need to be considered**

**1. Establishes a floor for employer contributions at 11% for TRS and 10% for PERS**

p.8 line 10. Delete "less than" and insert "the lesser of"  
line 11 after "active members" insert "11 percent for TRS employer and 10 percent for PERS employers"

*Amended* **2. Clarifies language**

*#18*  
*Added* p. 32 line 10, insert <sup>(3)</sup> "member contribution account" means the member's contributions to their defined contribution account plus any change in market value."

# 18

Adopted but  
not in C.S.  
Conceptual

Amendment

Page 32, line 10:

Insert

"(3) 'member contribution account' means the member's contributions to their defined contribution account plus any change in market value and any accumulated interest."

Term not used in SB 141. In SB 141  
the term "Individual Account" is used in the Defined  
Contribution Plan. Legal felt this language  
was redundant.

# 19  
AMENDMENT

OFFERED IN THE HOUSE  
TO: CSSB 141(FIN)

BY REPRESENTATIVE SEATON

1 Page 2, following line 4:

2 Insert a new bill section to read:

3 **\*\* Section 1.** The uncodified law of the State of Alaska is amended by adding a new  
4 section to read:

5 LEGISLATIVE INTENT REGARDING RETIREE HEALTH CARE COST  
6 SAVINGS IN SECS. 33 AND 121. It is the intent of the legislature for the division of  
7 retirement and benefits to implement by regulation cost-saving measures appropriate to  
8 current and future retirees in the health care system. This includes using manufacturer's  
9 rebates, co-pay levels, and multi-tiered co-payment structures; mandating the use of generic  
10 drugs; determining the type of drug classes in a formulary; dispensing fees; mandating or  
11 providing incentives for mail order pharmaceuticals; using a reduction in the average  
12 wholesale price; providing case management services for certain users of pharmaceuticals;  
13 capping the number of prescriptions filled each month; and restricting the number of refills  
14 that users can have at one time."

15

16 Page 2, line 5:

17 Delete "Section 1"

18 Insert "Sec. 2"

19

20 Renumber the following bill sections accordingly.

21

22 Page 26, line 3, through page 28, line 19:

23 Delete all material and insert:

1           **"Sec. 14.25.470. Retirement.** (a) In order to obtain medical benefits under  
2 AS 14.25.480 a member must retire directly from the plan. A member is eligible to  
3 retire from the plan if the member has been an active member for at least 12 months  
4 before application for retirement and

5                   (1) the member has at least 30 years of service; or

6                   (2) the member reaches the normal retirement age and has at least 10  
7 years of service.

8           (b) The normal retirement age is 60 months less than the age set for Medicare  
9 eligibility at the time the member retires.

10           (c) A member must apply to the administrator for appointment to retirement.  
11 Application shall be made on forms and in the manner prescribed by the administrator.

12           (d) A member who continues in the employ of the employer after reaching  
13 normal retirement age shall continue to participate in the plan and to have  
14 contributions allocated to the member's account.

15           **Sec. 14.25.480. Medical benefits.** (a) The medical benefits available to  
16 eligible persons are access to the retiree major medical plan. Access to the retiree  
17 major medical plan means that an eligible person may not be denied medical coverage  
18 except for failure to pay the required premium.

19           (b) The following persons are eligible for the retiree major medical plan  
20 provided under this section and may elect coverage under it:

21                   (1) a member with at least 30 years of service and who retires directly  
22 from the plan;

23                   (2) the surviving spouse of a member who elected coverage under (1)  
24 of this subsection;

25                   (3) a member who reaches the normal retirement age as provided in  
26 AS 14.25.470, has at least 10 years of service, and retires directly from the plan;

27                   (4) the surviving spouse of a member who elected coverage under (3)  
28 of this subsection.

29           (c) Retiree major medical plan coverage elected by an eligible member under  
30 this section covers the eligible member, the spouse of the eligible member, and the  
31 dependent children of the eligible member.

1 (d) Retiree major medical plan coverage elected by the surviving spouse of an  
2 eligible member under this section covers the surviving spouse and the dependent  
3 children of the eligible member who are dependent on the surviving spouse.

4 (e) A person other than an eligible member is not eligible for coverage if,  
5 during the time the eligible member was an active member, the person was

6 (1) not married to the member; or

7 (2) not a dependent child of the member.

8 (f) Major medical coverage takes effect on the first day of the month  
9 following the date of the election and stops when the person who elects coverage  
10 under (b) of this section dies or fails to make a required premium payment.

11 (g) The coverage for persons who are eligible for Medicare is the same as that  
12 available for persons who are not yet eligible for Medicare. The benefits payable to  
13 those Medicare eligible persons supplement any benefits provided under the Medicare  
14 program.

15 (h) The medical and optional insurance premiums owed by the person who  
16 elects coverage under (b) of this section shall be deducted from the health  
17 reimbursement arrangement. If the amount of the health reimbursement arrangement  
18 becomes insufficient to pay the premiums, the person who elects coverage under (b) of  
19 this section shall pay the premiums directly.

20 (i) The administrator shall set on an annual basis separate retiree health  
21 coverage premiums for participants who are Medicare eligible and for participants  
22 who are not yet Medicare eligible. An increase in the premium amount may not  
23 exceed five percentage points annually. A participant's share of the applicable  
24 premium shall be determined according to (j) and (k) of this section.

25 (j) Participants who have not attained normal retirement age are required to  
26 pay the full amount of the applicable medical health coverage premium.

27 (k) Participants who have attained normal retirement age are eligible for a  
28 subsidy applicable to the cost of the applicable premium. The subsidy percentage  
29 applicable to the cost of premiums payable by the participant is 30 percent if the  
30 member had 10 years of service; for each additional year of service after the member's  
31 10th year of service, the discount increases by three percentage points; however, the

1 maximum discount is 90 percent if the member has 50 or more years of service. The  
2 applicable subsidy percentage shall be applied to the subsidy base to determine the  
3 dollar amount of the subsidy which is applied against the cost of the premium.

4 (l) Participants who are eligible for Medicare will use the subsidy base for  
5 Medicare-eligible premiums. Participants who are not yet eligible for Medicare will  
6 use the subsidy base for non-Medicare eligible premiums.

7 (m) The subsidy base for Medicare-eligible participants will be the same as  
8 the premium amount for Medicare-eligible participants in the first year of this plan and  
9 the subsidy base for non-Medicare eligible participants will be the same as the  
10 premium amount for non-Medicare eligible participants in the first year of this plan.  
11 Each subsidy base will increase five percent each year or the rate at which the actual  
12 premium amount increases for the corresponding aged participants, whichever is less.

13 (n) The eligibility for retiree major medical coverage for an alternate payee  
14 under a qualified domestic relations order shall be determined based on the eligibility  
15 of the member to elect coverage. The alternate payee shall pay the full monthly  
16 premium for retiree major medical coverage.

17 (o) The administrator shall establish monthly group premiums for retiree  
18 major medical coverage. Nothing in AS 14.25.310 - 14.25.590 guarantees a person  
19 who elects coverage under (b) of this section a monthly group premium rate for retiree  
20 major medical coverage other than the premium in effect for the month in which the  
21 premium is due for coverage for that month.

22 (p) A member is eligible to apply for reimbursement from the health  
23 reimbursement arrangement plan after a minimum of 10 years of service and does not  
24 have to retire directly from the system.

25 (q) In this section,

26 (1) "health reimbursement arrangement" means the plan established in  
27 AS 39.30.300;

28 (2) "retires directly from the plan" means that the member has been an  
29 active member for at least 12 consecutive months immediately before the time that the  
30 member applies to the administrator for appointment to retirement and that the  
31 member continues as an active member up through the day before the day the member

1 is appointed to retirement."

2

3 Page 35, line 31, following ""normal retirement age"";

4 Delete "means 65 years of age"

5 Insert "means 60 months less than the age set for Medicare eligibility at the time the  
6 member retires"

7

8 Page 58, lines 19 - 20:

9 Delete "within five years after the date of termination"

10

11 Page 58, line 21, following "trust":

12 Delete ", without interest or other adjustment."

13 Insert "with interest. The prior period of employment with a participating employer  
14 shall be credited towards eligibility for medical benefits."

15

16 Page 58, line 24, following "plan":

17 Insert ", except members do not have to retire directly from the system"

18

19 Page 92, line 1, through page 94, line 18:

20 Delete all material and insert:

21 "Sec. 39.35.879. Retirement. (a) In order to obtain medical benefits under  
22 AS 39.35.880 an active member must retire directly from the plan. A member is  
23 eligible to retire from the plan if the member has been an active member for at least 12  
24 months before application for retirement and

25 (1) the member has at least 30 years of membership service; or

26 (2) the member reaches the normal retirement age and has at least 10  
27 years of membership service.

28 (b) The normal retirement age is 60 months less than the age set for Medicare  
29 eligibility at the time the member retires.

30 (c) A member must apply to the administrator for appointment to retirement.

31 Application shall be made on forms and in the manner prescribed by the administrator.

1 (d) A member who continues in the employ of the employer after reaching  
2 normal retirement age shall continue to participate in the plan and to have  
3 contributions allocated to the member's account.

4 **Sec. 39.35.880. Medical benefits.** (a) The medical benefits available to  
5 eligible persons are access to the retiree major medical plan. Access to the retiree  
6 major medical plan means that an eligible person may not be denied medical coverage  
7 except for failure to pay the required premium.

8 (b) The following persons are eligible for the retiree major medical insurance  
9 plan provided under this section and may elect coverage under it:

10 (1) a member with at least 30 years of service and who retires directly  
11 from the plan;

12 (2) the surviving spouse of a member who elected coverage under (1)  
13 of this subsection;

14 (3) a member who reaches the normal retirement age as provided in  
15 AS 39.35.860, has at least 10 years of service, and retires directly from the plan;

16 (4) the surviving spouse of a member who elected coverage under (3)  
17 of this subsection.

18 (c) Retiree major medical plan coverage elected by an eligible member under  
19 this section covers the eligible member, the spouse of the eligible member, and the  
20 dependent children of the qualified member.

21 (d) Retiree major medical plan coverage elected by the surviving spouse of an  
22 eligible member under this section covers the surviving spouse and the dependent  
23 children of the eligible member who are dependent on the surviving spouse.

24 (e) A person other than an eligible member is not eligible for coverage if,  
25 during the time the eligible member was an active member, the person was

26 (1) not married to the member; or

27 (2) not a dependent child of the member.

28 (f) Major medical coverage takes effect on the first day of the month  
29 following the date of the election and stops when the person who elects coverage  
30 under (b) of this section dies or fails to make a required premium payment.

31 (g) The coverage for persons who are eligible for Medicare is the same as that

1 available for persons who are not yet eligible for Medicare. The benefits payable to  
2 those Medicare eligible persons supplement any benefits provided under the Medicare  
3 program.

4 (h) The medical and optional insurance premiums owed by the person who  
5 elects coverage under (b) of this section shall be deducted from the health  
6 reimbursement arrangement. If the amount of the health reimbursement arrangement  
7 becomes insufficient to pay the premiums, the person who elects coverage under (b) of  
8 this section shall pay the premiums directly.

9 (i) The administrator shall set on an annual basis separate retiree health  
10 coverage premiums for participants who are Medicare eligible and for participants  
11 who are not yet Medicare eligible. An increase in the premium amount may not  
12 exceed five percentage points annually. A participant's share of the applicable  
13 premium shall be determined according to (j) and (k) of this section.

14 (j) Participants who have not attained normal retirement age are required to  
15 pay the full amount of the applicable medical health coverage premium.

16 (k) Participants who have attained normal retirement age are eligible for a  
17 subsidy applicable to the cost of the applicable premium. The subsidy percentage  
18 applicable to the cost of premiums payable by the participant is 30 percent if the  
19 member had 10 years of service; for each additional year of service after the member's  
20 10th year of service, the discount increases by three percentage points; however, the  
21 maximum discount is 90 percent if the member has 30 or more years of service. The  
22 applicable subsidy percentage shall be applied to the subsidy base to determine the  
23 dollar amount of the subsidy that is applied against the cost of the premium.

24 (l) Participants who are eligible for Medicare will use the subsidy base for  
25 Medicare-eligible premiums. Participants who are not yet eligible for Medicare will  
26 use the subsidy base for non-Medicare eligible premiums.

27 (m) The subsidy base for Medicare-eligible participants will be the same as  
28 the premium amount for Medicare-eligible participants in the first year of this plan and  
29 the subsidy base for non-Medicare eligible participants will be the same as the  
30 premium amount for non-Medicare-eligible participants in the first year of this plan.  
31 Each subsidy base will increase five percent each year or the rate at which the actual

1 premium amount increases for the corresponding aged participants, whichever is less.

2 (n) The eligibility for retiree major medical coverage for an alternate payee  
3 under a qualified domestic relations order shall be determined based on the eligibility  
4 of the member to elect coverage. The alternate payee shall pay the full monthly  
5 premium for retiree major medical coverage

6 (o) The administrator shall establish the monthly group premiums for retiree  
7 major medical coverage. Nothing in AS 39.35.700 - 39.35.895 guarantees a person  
8 who elects coverage under (b) of this section a monthly group premium rate for retiree  
9 major medical coverage other than the premium in effect for the month in which the  
10 premium is due for coverage for that month.

11 (p) A member is eligible to apply for reimbursement from the health  
12 reimbursement arrangement plan after a minimum of 10 years of service and does not  
13 have to retire directly from the system.

14 (q) In this section,

15 (1) "health reimbursement arrangement" means the plan established in  
16 AS 39.30.300;

17 (2) "retires directly from the plan" means that the member has been an  
18 active member for at least 12 consecutive months immediately before the time that the  
19 member applies to the administrator for appointment to retirement and that the  
20 member continues as an active member up through the day before the day the member  
21 is appointed to retirement."  
22

23 Page 101, line 28, following ""normal retirement age"":

24 Delete "means 65 years of age"

25 Insert " means 60 months less than the age set for Medicare eligibility at the time the  
26 member retires"

27  
28 Page 105, line 23:

29 Delete "sec. 60"

30 Insert "sec. 61"

31

1 Page 107, following line 30:

2 Insert a new bill section to read:

3 **\*\* Sec. 140.** The uncodified law of the State of Alaska is amended by adding a new section  
4 to read:

5 REPORT TO THE LEGISLATURE BY THE DIVISION OF RETIREMENT AND  
6 BENEFITS. The division of retirement and benefits will provide an annual report to the  
7 legislature regarding the cost savings measures it has implemented by regulation as described  
8 in sec. 1 of this Act."  
9

10 Renumber the following bill sections accordingly.  
11

12 Page 109, line 19:

13 Delete "SECTIONS 139 AND 140"

14 Insert "SECTIONS 141 AND 142"  
15

16 Page 109, line 20:

17 Delete "secs. 139 and 140"

18 Insert "secs. 141 and 142"  
19

20 Page 109, lines 21 - 22:

21 Delete "secs. 139 and 140"

22 Insert "secs. 141 and 142"  
23

24 Page 109, line 23:

25 Delete "Sections 11, 12, 14, 15, 20, 89 - 94, 107, 114, and 131"

26 Insert "Sections 12, 13, 15, 16, 21, 90 - 95, 108, 115, and 132"  
27

28 Page 109, line 25:

29 Delete "Section 141"

30 Insert "Section 143"  
31

- 1 Page 109, line 26:
- 2 Delete "secs. 142 and 143"
- 3 Insert "secs. 144 and 145"

#20

Currently TRS employees contribute 8.65% of salary, employers contribute 14.28% of salary

= 22.93

Currently PERS employees contribute: 6.5/7.5% PERS "other", 7.5% Police/fire and 9.6% school district of salary, employers contribute 13.24% of salary

= between 19.74 and 22.84

Under SB 141 all employees contribute 8%, employers contribute 4.5% to DC account and 3.5% to the medical component

= 16

Under amendment number 4 all employees contribute 8%, employers contribute 4.5% to the individual's DC account. Employers contribute 5.75% to the TRS medical component and 5.5% to the PERS medical component.

= between 18 and 18.25

Conceptual Amendment increasing 1.75% contribution to major medical in SB 141 to 3.75% for TRS employees and 3.5% for PERS employees

p. 82, line 8 delete "1.75" and insert "3.5"

p. 16, line 10 delete "1.75" and insert "3.75"

**Amendment Number 1. Changes to contribution rates.**

The employee contribution rate in SB 141 is currently 8%. Amendment number 1 increases the employee contribution rate for TRS from 8% to 11%, and for PERS, from 8% to 10%. The employer contribution rate going to a member's Defined Contribution account in SB 141 is 4.5% for both PERS and TRS. Amendment number 1 increases this to 5.25% for TRS and it remains the same for PERS.

**TRS**

p.15 line 18. Delete "eight" and insert "eleven".

p.16. line 8. Delete "4.5", and insert "5.25"

**PERS**

p.81 line 17. Delete "eight" and insert "ten".

Handwritten notes: "No" written twice, "111" written twice, and a large checkmark.

**Amendment Number 2. Changes to vesting schedule.**

In SB 141 a member vests fully in their Defined Contribution account after 5 years on a graduated scale incrementing 25% each year with 0% for the first year. Amendment number 2 changes the vesting schedule so that a member is fully vested after three years. The member vests in 50% of the employer contribution after 1 full year of service, 75% after two years and the full amount after 3 years.

**TRS**

p. 18. line 12. Delete "five" insert "three" delete lines 15-17 insert;

- (1) 50% with one year of service
- (2) 75% with two years of service
- (3) 100% with three years of service

**PERS**

p.81 line 10 delete "five", insert "three" delete lines 13-15, insert;

- (1) 50% with one year of service
- (2) 75% with two years of service
- (3) 100% with three years of service

Handwritten notes: "No" written twice, "111" written twice, and a large checkmark.

**Amendment Number 3. Changes to investment options.**

In SB 141 a member is given a series of eleven different investment options with varying degrees of risk. Amendment number 3 requires a member's account to be deposited in one account managed by the ARM board.

p. 18. Delete lines 18-31. Insert language to require only one investment option managed by the ARM board.

**Amendment number 4.** Changes to medical plan. *Adopt*

To become eligible for medical coverage under SB 141 you must be Medicare eligible with at least 10 years of service, or of any age with 25 years of service for police/fire and 30 for all others. If you terminate employment before Medicare eligible age but have fulfilled the minimum service requirement, you will receive access-only to the medical plan but will be required to pay the full premium. At Medicare eligible age the member receives a percentage subsidy of the premium based on the years of service ranging from 70% for 10 years of service to 90% for 30+ years of service. Retirees and their dependents are eligible, however, a different premium will be established for a single member from that of a member with dependents.

Amendment number 4 substitutes the language from HB 238 regarding the medical plan discussed extensively in committee, which provides medical coverage for members 60 months pre-Medicare eligible age.

Delete p. 26 line 3 to page 28 line 1, and p. 28 lines 12-19. Insert medical language provided and amended as necessary for drafting purposes. Corresponding medical language for PERS is found on p.92 line 20 through p.93 line 27.

Minor changes will have to be made throughout the bill to make SB 141 congruent with the inserted language from HB 238

**Amendment number 5.** Changes to the Alaska Retirement Management Board. *11/11*

SB 141 consolidates the PERS, TRS and ASPIB boards and creates a 9-member board with full fiduciary responsibility of the fund. Two of the 9 members must be active or retired PERS or TRS employees. All members are appointed by the governor. Amendment number 5 requires that nominees for PERS and TRS representatives be chosen from a list of no less than 3, and no more than 5 candidates put forth by the appropriate bargaining units. In SB 141, term lengths are 3 years, and limits members to 3 terms. Amendment number 5 changes the term lengths to 6 years, and limits members to a total of 2 terms. Amendment number 5 also ensures that the terms for the 2 finance officers and the two system representatives are staggered by 3 years.

p. 46 line 30. After "system;" insert, "The member shall be selected from no less than three and no more than five nominees put forward by the appropriate bargaining units."

p.46 line 31. After "system." Insert "The member shall be selected from no less than three and no more than five nominees put forward by the appropriate bargaining units."

p. 47 line 2. After "terms of" delete "three" and insert "six". After "total of" delete "three" and insert "two". Line 4. insert "full" between "consecutive" and "terms".

p. 105 line 26. After "AS 39.05.055(7)." Insert, "Upon establishment of the board one finance officer will be appointed to a three year term and one finance officer will be appointed to a six year term, one PERS/TRS member representative will be appointed to a three year term and the other PERS/TRS member representative will be appointed to a six year term."

**Amendment number 6.** Changes to Health Reimbursement Arrangement (HRA). *adpt*

In SB 141 if an individual terminates employment before reaching the 10-year requirement for medical eligibility and does not come back to work within 5 years, they forfeit the accumulated balance of their HRA. If the member leaves employment and comes back within the 5 years, their HRA is reinstated at the account balance when they terminated employment. Amendment number 6 reinstates a member's account with accumulated interest regardless of the number of years that have elapsed between employment periods. It also

allows a member to vest in their HRA after 10 years of service without retiring directly from the system. However, the member cannot access their HRA until they reach the age 60 months prior to becoming Medicare eligible, or have 30 years of service.

p. 58 line 16. Delete "AS 14.25.470" insert "(b) of this section". Delete p. 58 line 16 starting at "or" through line 21 ending at "adjustment". Insert "If a person resumes employment the balance of their account is restored plus any accumulated interest."

Insert line 22, (b) A member has access to their Health Reimbursement Arrangement after 10 years of service, whether or not they retire directly from the system. However, the member is not allowed to draw from that account until they reach the age 60 months pre-Medicare eligible, or any age with 30 years of service as defined in AS 14.25.470.

\*Note: all changes in the TRS section should be reflected in the subsequent PERS section.

## **Changes to CSSB 141 to be incorporated in a House State Affairs CS**

**Requires the Alaska Retirement Board to evaluate the plan's projected liabilities annually**

p. 3 line 12. Insert "(e) A report of the valuation of the plan's projected liabilities."

**Establishes a floor for employer contributions at 11% for TRS and 10% for PERS**

p.8 line 10. Delete "less than" and insert "the lesser of"  
line 11 after "active members" insert "11 percent for TRS employer and 10 percent for PERS employers"

**Clarifies that membership to the system commences for teachers on their first day of employment**

p. 15. line 13. After "contribution retirement plan." Add "A teacher becomes a member on their first date of employment."

**Clarifies language**

p. 32 line 10, insert "'member contribution account' means the member's contributions to their defined contribution account plus any accumulated interest."

**Conceptual revisions to accommodate overall changes to medical portion**

p.35 line 31. Delete "65 years of age" and insert "60 months pre-Medicare eligible age"

p. 54 line 26. Delete "age 65" and insert "60 months pre-Medicare eligible age"  
line 27. Delete "age 65" and insert "60 months pre-Medicare eligible age"

p. 101 line 28. Delete "65 years of age" insert "60 months pre-Medicare eligible age"

**Allow Department of Labor Instructors to chose between PERS or TRS**

p.14 line. 19. Insert "(D) a full-time or part-time instructor of the Department of Labor and Workforce Development who is a non certificated employee who enters employment covered under AS 25.009 may elect to retain coverage under AS 29.009."

# Alaska State Legislature

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## REPRESENTATIVE Paul Seaton

District 35

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### MEMORANDUM

Wednesday April 19, 2005

Enclosed is a summary of the major changes made to SB 141 by the House State Affairs Committee. If you have any questions or would like more detail on the amendments adopted, please contact my staff working on this issue, Katie Shows at (907)-465-4048.

Sincerely,

A handwritten signature in cursive script that reads "Paul Seaton".

Representative Paul Seaton

## CHANGES TO MEDICAL COVERAGE

Major Medical TRS p. 26 line 5 to p. 29 line 4, PERS p. 93 line 15 to p. 96 line 14. Amendment # 19

- Allow access to medical plan 60-month pre-Medicare eligible
- Cost share both pre-Medicare and post-Medicare medical on a scale of 30% subsidy for 10 years of service incrementing 3% for each additional year of service till 30 years or 90% subsidy.
- Increase employer contribution to 3.75% for TRS and 3.5% for PERS to pay for major medical TRS p.16 line 12, PERS p. 83 line 22. Amendment #20
- Internet language: that the division implement all cost saving measures possible to the health care plan and report annually to the legislature those changes. p. 2 lines 5-16. Amendment #19

HRA p. 59 line 20 – p. 60 line 3. Amendment #19

- Individual has access to their HRA after 10 years of service without retiring directly from the system once they hit normal retirement age. If they leave employment without accumulating 10 years of service, they may come back regardless of how much time elapses between the two employment periods. When they return to active employment, their HRA will be reinstated at the amount it was when they last terminated employment plus any additional accumulated interest.

## CHANGES TO THE ARM BOARD

- Increase the PERS/TRS representatives from one to two from each employee group (4 total PERS/TRS representatives). This decreases the members from the general public from 3 to 1. p. 47 lines 11-15. Amendment #6
- PERS/TRS representatives will be elected from their employee groups. p. 47 line 24 to p. 48 line 13. Amendment #16
- Each member can serve no more than 2 six-year terms. Terms will be offset by 3 years. p. 107 line 30, p. 108 line 4. Amendment #5

## CHANGES TO EXISTING TEIRS

- Repealed increase in employee contribution for current employees Amendment #17
- Establishes a floor for employer contributions at 11% for TRS and 10% for PERS TRS p. 8 line 2-3, PERS p. 72 line 16. Amendment #9
- A person who commits fraud with respect to their benefits is guilty of a class A misdemeanor but DOES NOT forfeit all rights to any future benefits (for current and future employees/retirees) p. 97 line 25-28. Amendment #14

## OTHER

- Department of Labor instructors who were previously in TRS will remain in TRS regardless of whether or not the instructor position requires a teaching certificate. p.14 lines 16-20, p. 80 lines 26-31. Amendment #13

## **Changes to medical coverage**

To be eligible for medical coverage under SB 141 you must be age Medicare eligible with at least 10 years of service, or any age with 25 years of service for police/fire and 30 years for all others. If you terminate employment before age Medicare eligible age but have fulfilled the minimum service requirement, you receive access-only to the medical plan but are required to pay the full premium. At Medicare eligible age the member receives a percentage subsidy of the premium based on the years of service ranging from 70% for 10 years of service to 90% for 30+ years of service. Retirees and their dependents are eligible, however, a different premium will be established for a single member from that of a member with dependents.

State Affairs changed the medical portion of SB 141 to reflect the work we have been doing in committee on a defined dollar medical plan. In a 2004 survey of employees and employers by Mercer Human Resources Consulting, medical benefits were identified as the most important element of a retirement plan. In the amendment incorporated to SB 141 an employee is eligible for medical benefits when they retire directly from the system with 30 years of service or at normal retirement age with 10 years of service. Before normal retirement age a retiree has access to a medical plan and pays the full premium amount set by the board. Once a retiree reaches normal retirement age, 60 months before Medicare eligible age (currently 60) they receive a percentage subsidy to their premium based on their years of service. The retiree and the system share the rising cost of health care. The subsidy ranges from 90% of the premium for 30+ year employees to 30% benefit for 10-year employees and increases incrementally with each additional year of service. Once a retiree reaches Medicare eligible age (currently 65) their premium amount drops by approximately 50%.

In addition to access to a medical plan, retirees have a Health Reimbursement Account (HRA) that their employer has contributed 2% of the employer group salary into over the course of their employment. The HRA is automatically used to pay the remaining portion of the premium for the medical plan after the subsidy is applied, or any qualified medical expenses. In SB 141 if an individual terminates employment before reaching the 10-year requirement for medical eligibility and does not come back to work within 5 years, they forfeit the accumulated balance of their HRA. If the member leaves employment and comes back within the 5 years, their HRA is reinstated at the account balance when they terminated employment. House State Affairs amended SB 141 to increase member accessibility to their HRA. The HRA is accessible to a member after 10 years of service at the age 60 months pre-Medicare eligible regardless of if they retire directly from the system. If they leave employment without accumulating 10 years of service, they may come back regardless of how much time elapses between the two employment periods. When they return to active employment, their HRA will be reinstated at the amount it was when they last terminated employment plus any additional accumulated interest.

### **Changes to the Alaska Retirement Management Board**

SB 141 consolidates the PERS, TRS and ASPIB boards and creates a 9-member board with full fiduciary responsibility of the fund. Two of the 9 members must be active or retired PERS or TRS employees. All members are appointed by the governor. House State Affairs amended SB 141 to increase in the PERS/TRS representatives from 2 to 4 (thereby decreasing the member's from the general public from 3 to 1) and requires that PERS/TRS representatives are elected by their employee groups. In SB 141, term lengths are 3 years, limited to 3 terms. House State Affairs changed the term lengths to 6 years and limited members to a total of 2 consecutive terms. House State Affairs also ensured that the terms for the 2 finance officers and the four system representatives are staggered by 3 years so as not to have a complete turnover of one member group at any given time.

### **Changes to existing tiers**

House State Affairs repealed the increase in employee contribution for current employees. It also established a floor on employer contributions at 11% for TRS and 10% for PERS. A change made to SB 141 by House State Affairs was to ensure that a person who commits fraud (in relation to their retirement benefits) does not forfeit their rights to any future benefits. Currently the TRS and PERS statues are different, on one they forfeit their benefits and on the other they do not.

### **Other**

House State Affairs amended SB 141 to place Department of Labor instructors in TRS if they were formerly a TRS member regardless of if the instructor position requires a teaching certificate. Otherwise, the instructor will be a PERS member.

Power Point produced by Rep. Senter's office

## Understanding PERS/TRS

Presentation to the House State Affairs  
Committee  
March 22, 2005

1

## Definition of Terms

2

PERS/TRS – Public Employees Retirement System/Teachers Retirement System

Defined benefit plan – The benefits paid to an employee are based upon a formula set in law and is NOT determined by the account balance. The benefit the retiree receives is guaranteed, regardless of if the contributions made by him/her or on his/her behalf are enough to fund the benefits.

Defined contribution plan – A plan in which a member and their employer contribute a fixed amount into the system. That amount collects interest and the retiree's benefit is the amount of money in the account at retirement or termination (similar to 401k programs).

Actuarial – Statistical calculation of future costs and benefits based on adopted assumptions.

Past Service Cost – The payment needed to account for the amount of benefits that were not collected because the adopted assumptions about the future were not correct.

Past Service Cost Rate – An actuarial determination of the yearly cost rate charged on total salary needed to pay off the Past Service Cost over a specified number of years.

Unfunded Liability – The sum of the actuarially computed payments that will be required to be made for benefits that were not accounted for in Normal Cost Rate collections (unfunded liability = past service cost).

Present Dollar Value of Unfunded Liability – Amount needed to be deposited today into a separate account that would grow with projected interest in order to be able to make the payments over time as they became due. This original deposit and interest would be completely used up when the liability was paid off.

Gross Normal Cost rate – The total percentage of salary needed to pay for future benefits of retiree (Member Normal Cost Rate + Employer Normal Cost Rate).

Member Normal Cost Rate– The percentage of salary an employee contributes to paying for their future retirement benefits.

Member contribution rate – The percentage of salary an employee contributes towards paying the actuarial computed rate.

Employer Normal Cost Rate – The percentage of salary an employer contributes towards paying the employee's projected future retirement benefits.

Actuarial Computed Rate - The percentage of salary, calculated by the actuary based on a set of assumptions that would be needed to pay the unfunded liability and the future benefits of the retiree minus the employee's contribution to those benefits.

Health Reimbursement Account – An employer paid account that reimburses employees for medical expenses up to the deposited dollar amount.

**Potential and anticipated  
variables that can create  
additional unfunded liability**

7

**Mortality Rate**

**Assumptions:**

- 1984 table
- 1994 baseline table (adopted in 2002,  
added 2.5 years per person)
- 2000 baseline table (set forward to 2004) –  
how many more years and how much more  
money per year will this add?

8

## Medical inflation rate

7.5% - what does increase or decrease of 2% do to the unfunded liability?

9

### Automatic Cost Of Living Adjustment (COLA) –

Cola was established in 1961 to encourage Alaskans to stay in Alaska. A 2004 court decision required Alaska Cost Of Living Adjustments to be distributed to all system members outside of Alaska if the cost of living in their community equals or exceeds Anchorage Alaska.

Ad Hoc PRPA –When there has been an increase in the cost of living and when the fund permits, the administrator may increase benefits to cover that increase in cost of living. This means that whenever the fund is doing well it probably will not collect additional dollars to help smooth out leaner times but pay that as unfunded benefits.

### **Legislation Impacting the System's Solvency**

Retirement Incentive Program – A program established to encourage employees to retire early so employers would be able to hire lower wage employees in their stead. RIP increased the unfunded liability because employees were collecting benefits when all the money to pay for those benefits had not been paid into the system.

### **Legislation Impacting the System's Solvency**

Re-hire of retiree's – HB 161/ SB24/ SB31. Allowing retirees to be hired back without contributing to the retirement system creates additional unfunded liability to the system. Each additional re-hire's employer does not pay the past service cost rate associated with the employee's wages. This adds to the unfunded liability for the system.

### **Legislation Impacting the System's Solvency**

Lowering vesting requirements for police/fire  
– HB 40. Lowering the number of years of service an employee has to contribute to the system before receiving benefits. Therefore they are essentially collecting benefits that have not been paid for in advance, adding extra burden to the unfunded liability.

## Overview of PERS/TRS – the problem

Presentation to House State  
Affairs Committee – 3/22/05

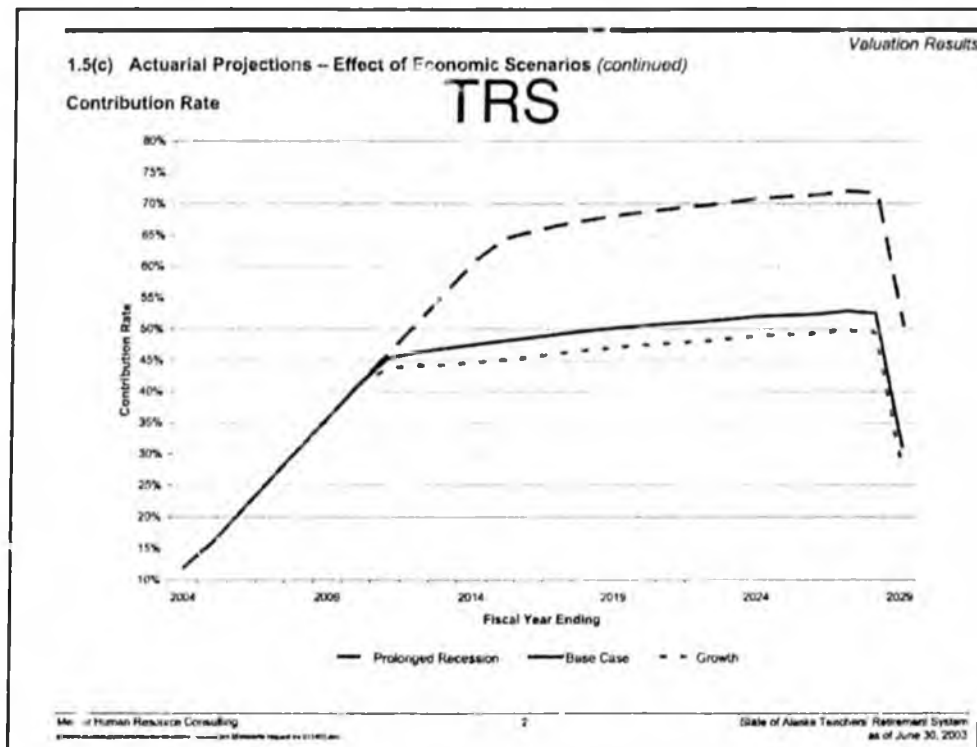
## Unfunded Liability: Percent of Total

The system is currently 69.5% funded, however new figures increasing the unfunded liability will be out by the end of March.



■ Unfunded Liability 5b  
 □ Funded Liability 11.4b

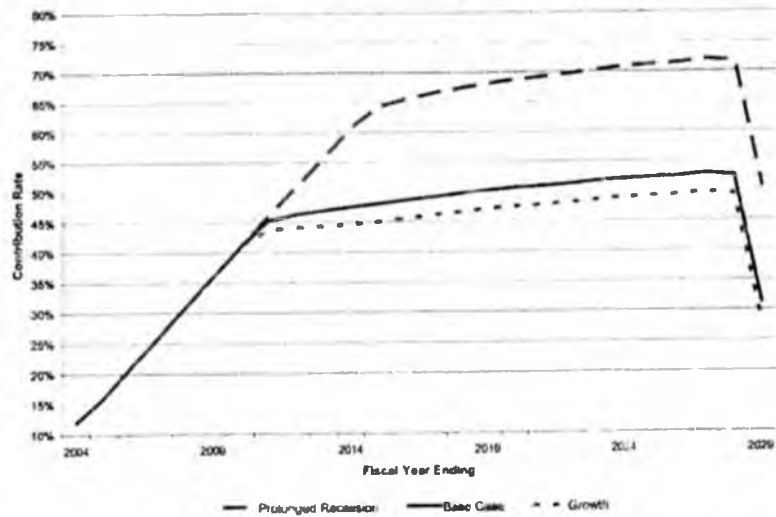
15



1.5(c) Actuarial Projections – Effect of Economic Scenarios (continued)

Contribution Rate

# PERS



Mercer Human Resources Consulting

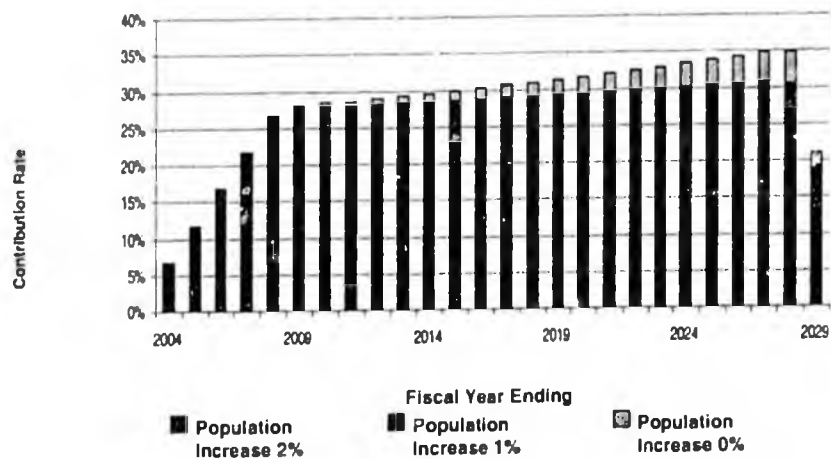
State of Alaska Teachers' Retirement System as of June 30, 2003

State of Alaska Teachers' Retirement System as of June 30, 2003

## Financial Summary

### Projections at Calculated Rate - PERS

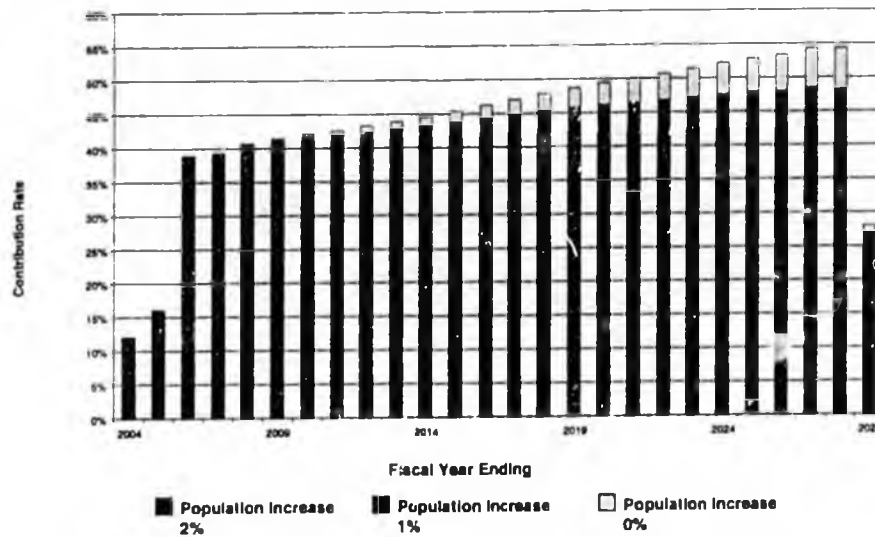
#### Contribution Rates



Slide provided by Mercer Human Resources and Division of Retirement & Benefits

## Financial Summary

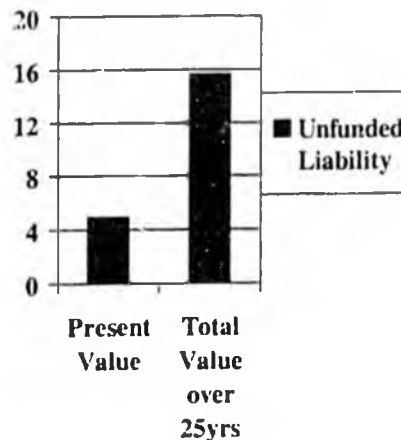
Projections at Calculated Rate - TRS  
Contribution Rates



Slide provided by Mercer Human Resources and Division of Retirement & Benefits

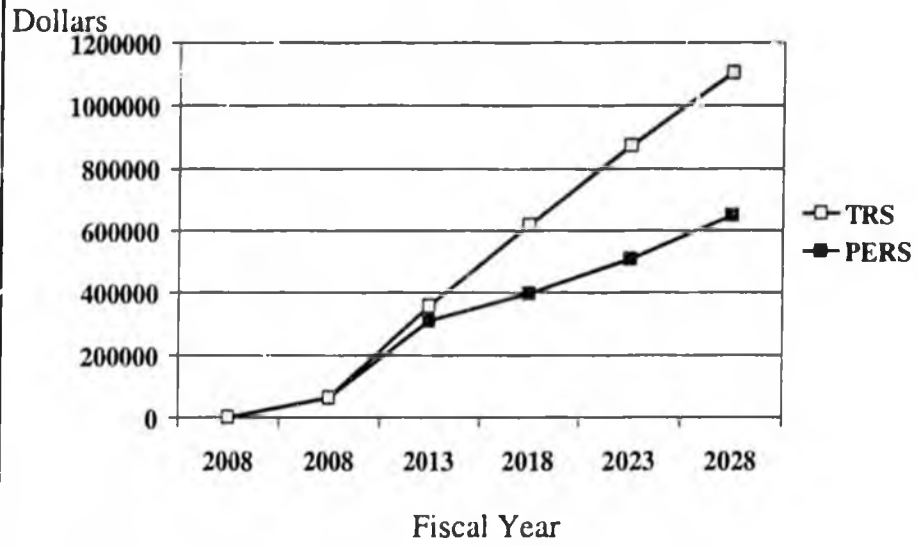
## Unfunded Liability Comparison

The 5b represents how much would have to be put in an account *today* to pay for future obligations. The 15.6b represents the *total* of all the payments over 25 years that will have to be made.



20

### Actual dollar value of increase in past service cost payments



Comparison of changes to SB 141 in House State Affairs and House Finance

DRAFT

	HSTA SB 141	Amendments	HFIN HB 141
<b>Changes to existing tiers</b>			
Current employer contribution rate	Floor of 11% TRS employers and 10% PERS employers <i>P. 8 line 2, p.72 line 16</i>		
Current employee contribution	Repealed		
Board members	-Increases the PERS and TRS members from 2 to 4 -PERS & TRS members are elected by their member groups <i>p. 4 line 24 - p.48 line 5</i>		
Board terms	-each member serves no more than 2 consecutive 6 years terms. Terms staggered by 3 years. <i>p. 48 lines 6-9</i>		-each member serves no more than 2 consecutive 4 year terms. Staggering of terms in determined by the governor. <i>P.106 lines 20-22</i>
<b>Creating a new DC account</b>			
Employee Contribution Rate	8% <i>p. 15 line 20, p.82 line 31</i>		8%
Employer Contribution Rate (to DC pension account)	4.5% <i>p.16 line 10, p. 83 line 20</i>		4.5%
Total employer contribution rate	4.5% to DC pension account; 2% to HRA, 3.5 PERS + 3.75 TRS to medical = <b>10.25% TRS, 10% PERS</b>		4.5% to DC pension account, 2% to HRA, 1.75% to medical = <b>8.25%</b>
<b>Medical Benefits</b>			
Medical eligibility	30 years of service access only until normal retirement age or retire directly from the system with 10 years of service, age 60-months pre-Medicare eligible. <i>p.26 lines 5-18, p.93 lines 15-28</i>		25 years of service police/fire, 30 years of service "other" any age receive access to the system. 10 years of service receive medical benefits at age 65. <i>p.92 lines 27-28</i>

Medical benefits package	<p>-At age 60 months pre-Medicare receive a subsidy based on years of service, 30% for 10 years increasing by 3% for each additional year until 30 years of service, or 90%.</p> <p>-health care inflation is shared by retiree and system. Subsidy is calculated from a subsidy base that increases by no more than 5% annually</p> <p>-when retiree becomes age Medicare eligible, their premium amount and subsidy base decrease by approx. 1/2</p> <p><i>p.26 line 19 - p.28 line 15, p.93 line 29 - p. 95 line 25</i></p>		<p>-At age 65 retiree receives a subsidy based on years of service, 70% for 10-14 years, 75% for 15-19 years, 80% for 20-24 years, 85% 25-29 years and 10% 30+ years.</p> <p><i>p.25 line 10 - 27 line 26</i> <i>p.92 line 25 - p.94 line 21</i></p>
Employer contribution required for medical benefits	3.75% TRS, 3.5% PERS <i>p.16 line 12, p.83 line 22</i>		1.75% <i>p.15 line 17, p.83 line 1</i>
HRA, member access	<p>An employee has access to their HRA plus accumulated interest at normal retirement age after 10 years of service. Any amount of time may pass between employment periods to fulfill vesting requirements.</p> <p><i>p. 28 lines 25 - 27 + p. 59 lines 20 - 27</i></p>		<p>An employee has access to their HRA when they become eligible for medical benefits. If an employee leaves employment for more than 10 years, their HRA account will be terminated. If they reinstate employment within 10 years the balance will be restored from when they were terminated without accrued interest or adjustments.</p> <p><i>p.58 lines 7-15</i></p>
HRA employer contribution amount	2% <i>p.59 line 15</i>		3% <i>p.58 line 2</i>
Penalty for fraud	Removed the existing language that a person who knowingly		

	<p>makes a false statement  "forfeits all rights under this  chapter. Language confirms to  PERS AS 39.35.670  <i>p.13 lines 5-8, p.97 lines 25-28</i></p>		
DOL instructors	<p>Allow DOL instructors to  remain in TRS if they were  previously a TRS member  <i>p. 14 lines 16-20, p.80lines 26-31</i></p>		Deleted.
Legislative intent	<p>-Intent language in Sec. 1 states  that R&amp;B implement by  regulation cost-saving  measures in the retiree health  care system (cites examples)  <i>p.2 line 5-16</i>  -Requires annual report to  legislature by R&amp;B on  implementation of cost saving  measures <i>p. 110 lines 11-14</i></p>		Deleted.

**PERS (Alternative)**

**8% employee and 5% employer contribution = 13% in DC account  
Projected Benefits – Rate of Return 8.25%**

<b>FEMALE</b>			
Number of years worked	DC account lump sum at termination	Beginning annuity in 2004 dollars	% funded compared to current DB plan
10	\$71,410	\$3,892	69%
20	\$253,745	\$9,589	92%
30	\$689,604	\$18,069	118%

<b>MALE</b>			
Number of years worked	DC account lump sum at termination	Beginning annuity in 2004 dollars	% funded compared to current DB plan
10	\$71,410	\$4,219	75%
20	\$253,745	\$10,395	99%
30	\$689,604	\$19,588	128%

**Assumptions:**

Beginning Salary 32,000

Defined Contribution pension account percentage 13%

Anchorage CPI 3.73%

Real rate of interest 4.52%

Salary increase 3%

Based on 2000 mortality table (Mercer's projections are based on a 1994 mortality table)

Employer contribution to DC account	5%
Employer contribution to Medical Plan	2.5%
Employer contribution to HRA	2.5%
Total Employer contribution	10%
24 year average employer contribution	10.9% - 11.1%
5 year average employer contribution	10.8% - 11.5%

## Projected Values for Health Reimbursement Accounts

1. PERS "other" early hire - 1% HRA
2. PERS "other" early hire - 2% HRA
3. PERS "other" late hire - 1% HRA
4. PERS "other" late hire - 2% HRA
5. PERS "other" with spouse late hire - 2% HRA
6. PERS police/ fire early hire - 1% HRA
7. PERS police/ fire early hire - 2% HRA
8. PERS police/ fire late hire - 1% HRA
9. PERS police/ fire late hire - 2% HRA
10. PERS police/ fire with spouse late hire - 2% HRA
11. TRS early hire - 1% HRA
12. TRS early hire - 2% HRA
13. TRS late hire - 1% HRA
14. TRS late hire - 2% HRA
15. TRS late hire with spouse - 2% HRA

# CORRECTION

THE FOLLOWING DOCUMENT(S)  
HAVE BEEN REFILMED TO  
ASSURE LEGIBILITY OR PAGINATION



Central Microfilm Services  
Department of Education & Early Development  
State of Alaska

**PERS (Alternative)**

**8% employee and 5% employer contribution = 13% in DC account  
Projected Benefits – Rate of Return 8.25%**

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Employer contribution to HRA	2.5%
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### TRS (Alternative)

**8% employee and 5% employer contribution = 13% in DC account  
Projected Benefits – Rate of Return 8.25%**

<b>FEMALE</b>			
Number of years worked	DC account lump sum at termination	Beginning annuity in 2004 dollars	% funded compared to current DB plan
10	\$83,769	\$4,566	69%
20	\$297,618	\$11,248	92%
30	\$808,948	\$21,196	114%

<b>MALE</b>			
Number of years worked	DC account lump sum at termination	Beginning annuity in 2004 dollars	% funded compared to current DB plan
10	\$83,769	\$4,949	75%
20	\$297,658	\$12,194	99%
30	\$808,948	\$22,978	123%

#### Assumptions:

Beginning Salary 37,538

Defined Contribution pension account percentage 13%

Anchorage CPI 3.73%

Real rate of interest 4.52%

Salary increase 2%

Based on 2000 mortality table (Mercer's projections are based on a 1994 mortality table)

Employer contribution to DC account	5%
Employer contribution to Medical Plan	2.5%
Employer contribution to HRA	2.5%
<b>Total Employer contribution</b>	<b>10.5%</b>
24 year average employer contribution	10.9% - 11.1%
5 year average employer contribution	10.8% - 11.5%

## **Projected Values for Health Reimbursement Accounts**

1. PERS "other" early hire - 1% HRA
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7. PERS police/ fire early hire - 2% HRA
8. PERS police/ fire late hire - 1% HRA
9. PERS police/ fire late hire - 2% HRA
10. PERS police/ fire with spouse late hire - 2% HRA
11. TRS early hire - 1% HRA
12. TRS early hire - 2% HRA
13. TRS late hire - 1% HRA
14. TRS late hire - 2% HRA
15. TRS late hire with spouse - 2% HRA

## Summary Of State Affairs PERS/TRS Bill

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### Changes to Existing Tier

**-Equal employee and employer contributions.** The employee will contribute ½ of the Actuarially Computed Rate with a ceiling of 13% for PERS and 14% for TRS. The employer will contribute ½ the Actuarially Computed Rate with a floor of 10% for PERS and 11% for TRS.

**-Preferred drug list.** Retirees will be required to use the provider's preferred drug list whenever available. If a comparable drug is not available on the provider's preferred drug list, the retiree's medical plan will pay for the non-formulary medication. However, if the choice is due to preference, the retiree must pay the difference between the generic/formulary version and the brand name one. This does not change any co-pay requirements.

**-Definition of ad hoc Post Retirement Pension Adjustment (PRPA).** The conditions upon which the administrator may distribute an ad hoc PRPA (a 4% increase in pension payment due to a rise in the cost of living) are a) when the administrator determines there is an increase in the cost of living and b) when the financial condition of the retirement fund permits. This bill defines the "financial condition of the retirement fund" as 100% funded, or the present value of all the member benefits accrued by members in the system (*in other words no outstanding unfunded past service cost liability*).

### Creating a Defined Contribution (DC) tier

**-Employee contribution.** Employee contributes 10% under PERS and 11% under TRS to their DC account.

**-Employer contribution.** Employer contributes 10% under PERS and 11% under TRS to the employee's retirement. That contribution is broken out for PERS into 3.5% for medical, 1% for a Health Reimbursement Account (HRA) and 5.5% to retiree's DC account. That contribution is broken out for TRS into 3.75% for medical, 1.5% for a Health Reimbursement Account (HRA) and 5.75% to a retiree's DC account.

**-Base Salary Only.** Employee has a one-time choice to contribute based on a) their basic pay only (excluding bonuses, cost differentials, etc) or b) on their total salary. The base used for calculating the employer's contribution will reflect the employee's choice.

**-Vesting.** Employee is immediately vested in both their portion of their DC account and their employers (excluding employer medical and HRA contributions).

**-Investment options.** The employee may choose between several investment options put forth by the PERS/TRS board with varying degrees of risk. It is the intent of this legislation to offer the State's Supplemental Annuity Plan as a framework for management and member investment options of the defined contribution retirement fund.

**-Roll over from one qualified plan to another.** A terminated employee's DC account can be rolled over into a qualified plan. A new hire can roll over an account from a previous employer's qualified plan into their State DC account. No additional employer matching liability is attributed to any roll over.

**-Transfer of employees in an existing tier to a defined contribution tier.** All non-vested current tier employees have until 90 days from the effective date of this legislation to transfer to a defined contribution plan. This is a one-time transfer and all employees will be required to sign a document confirming that they understand the implications of their transfer. Upon transfer the employee will bring with them into the new system the dollar amount they and their employer contributed towards their pension to be placed in their DC account. They will also bring with them the dollar amount from their employer's contribution to their medical benefits necessary to buy the accumulated years of service under the new DC plan. The employee's years of service will count towards their medical benefit requirements under the DC plan.

**-State aid to Past Service Cost.** The state will create the Past Service Offset Account (PSCOA), a separate fund to pay the past service cost rate associated with all employees under the defined contribution tier. This account will pay the individual employer's past service cost rate associated with their DC tier employees (new hires and transfers) up to the average past service cost rate for all members. For TRS the payment amount from the PSCOA is equal to the past service cost rate and for PERS the individual past service cost rates are based on employer history.

#### **Medical components of Defined Contribution tier**

**-Eligibility requirement for medical.** A retiree must retire directly from the system to be eligible for medical benefits, either at the age of 60 with 10 years of service or 30 years of service. The member must be employed in the system a minimum of 12 continuous months before retiring. Member's dependents (spouse and eligible children) are eligible for medical benefits. If a retiree dies, member's dependents are still eligible.

**-Early Retirement.** A retiree who has satisfied 30 years of service but has not yet reached 60 will receive access only to a the medical plan.

**-Normal Retirement.** Normal retirement is at the age of 60 whereupon the retiree is granted access to a medical plan and a subsidy to pay the premium for that plan depending on their years of service. The subsidy amount begins at 30% for 10 years of service and increases incrementally by 3% for each additional year of service until 30 years, or a 90% subsidy.

**-Medicare Eligible.** Upon becoming eligible for Medicare (age 65), the retiree's plan will remain the same, however their premium is reduced. The same percentage of state subsidy based on years of service applies.

**-Health Reimbursement Account (HRA).** A HRA is established for each member to help pay for premiums, co-pays, deductibles and any other applicable health care expenses the member or their dependents may have. The employer will contribute 1% of the employee's salary to their HRA for PERS and 1.5% for TRS.

## Changes to Current Tiers Under the Proposed Bills

Bills	SB 141	HB 177 and HB 170	State Affairs Bill
<b>Prescription drug Changes</b>	None	None	Requires retirees to purchase prescription drugs from a preferred drug list unless otherwise recommended
<b>Employee Contribution Rates</b>	One-half the NCR <sup>1</sup> set at an increase of .5% every year until the employer contribution rate reaches ½ the NCR.	HB 177- One-half the amount needed to fund the system (ACR) <sup>2</sup> with a maximum increase of 5% per year. Police/fire contribute additional 1%	One-half the amount needed to fund the system (ACR) capped at 13% for PERS <sup>3</sup> and 14% for TRS <sup>4</sup> . Maximum increase of 5% per year.
<b>Employer Contribution Rates</b>	No more than 5% increase in PSC <sup>5</sup> rate per year. Not less than the difference between the NCR and the employee contribution.	No more than 5% increase in PSC rate per year	No more than 5% increase in PSC rate per year. One-half the NCR with a floor at 10% PERS, 11% TRS
<b>Ad hoc PRPA's</b>	Places limiting conditions on ad hoc PRPA's'	None	Places limiting conditions on ad hoc PRPA's
<b>PERS/TRS Board</b>	Eliminates PERS & TRS Board and ASPIB <sup>7</sup> . Creates new ARM <sup>8</sup> Board with fiduciary responsibility only, and designates other aspects of current boards.	HB 170. Changes the requirements for members of the PERS & TRS Boards.	None
<b>COLA</b>	Repeal COLA <sup>9</sup>	None	None
<b>Refunded re-hires</b>	No longer allow re-instating past employees at current tier status. A past employee who has cashed out of the system cannot buy back that time, vest and collect benefits.	None	None

<sup>1</sup> NCR - Normal Cost Rate

<sup>2</sup> ACR - Actuarial Computed Rate

<sup>3</sup> PERS - Public Employees Retirement System

<sup>4</sup> TRS - Teacher's Retirement System

<sup>5</sup> PSC - Past Service Cost

<sup>6</sup> PRPA - Post Retirement Pension Adjustment

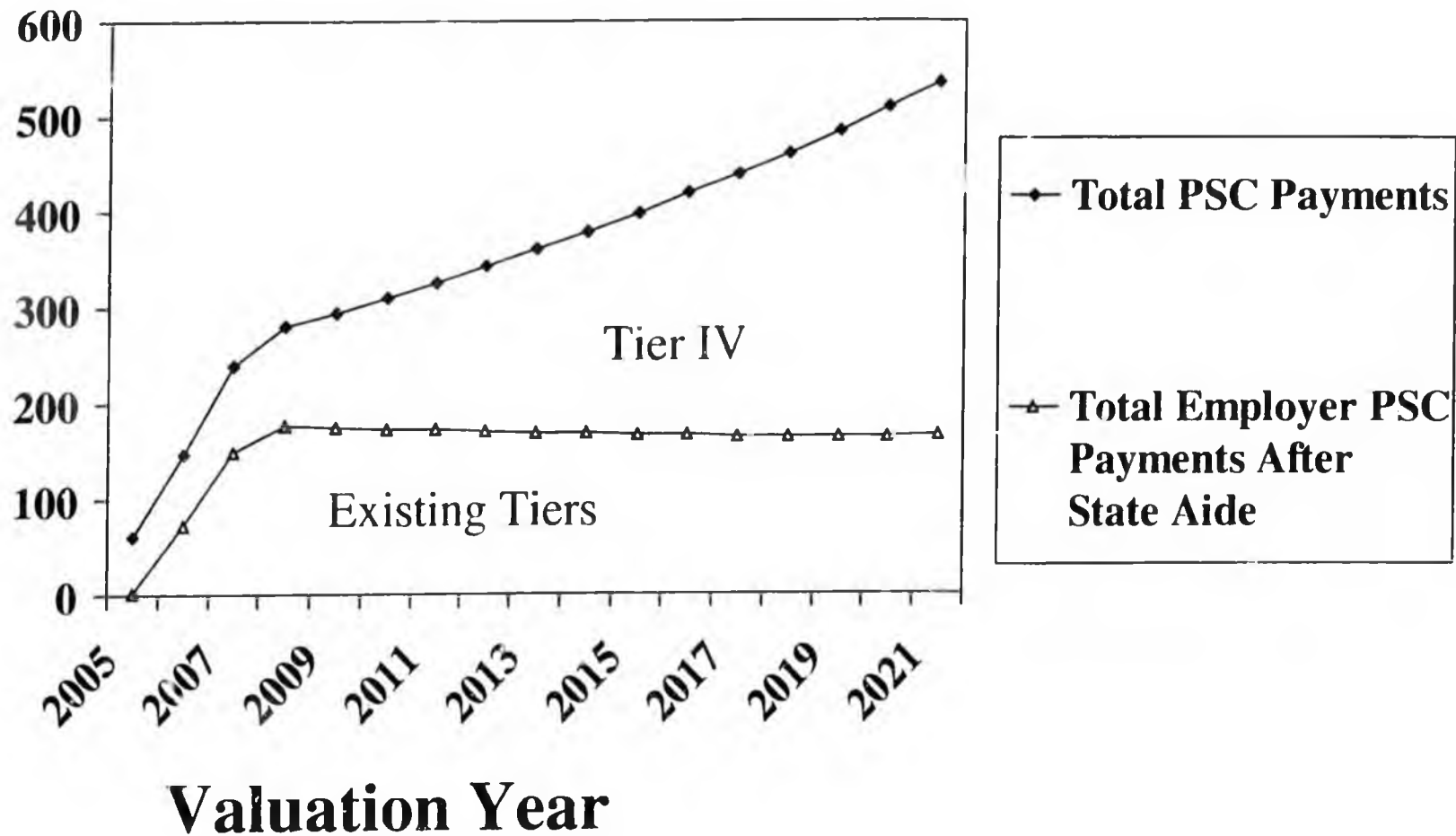
<sup>7</sup> ASPIB - Alaska State Pension Investment Board

<sup>8</sup> ARM - Alaska Retirement Management

<sup>9</sup> COLA - Cost of living adjustment

# PERS Aide to Communities From Past Service Cost Offset Account: Actual Dollar Value

Millions of dollars



<b>Aid To Communtines From Past Service Offset Account</b>						
<b>Actual Dollar Value</b>						
<b>Valuation Year</b>	<b>PSC State Aide Untll Blended Rate</b>	<b>Total PSC Paymnets</b>	<b>Total Employer PSC Payments After State Aide</b>			
2005	59,854,472	61,024,000	1,169,528.32			
2006	74,216,999	146,707,000	72,490,000.62			
2007	88,999,019	238,945,000	149,945,980.60			
2008	104,493,323	280,279,000	175,785,677.45			
2009	120,568,676	295,088,000	174,519,324.47			
2010	137,353,683	310,344,000	172,990,317.09			
2011	154,783,006	326,448,000	171,664,994.14			
2012	172,841,421	343,250,000	170,408,579.13			
2013	191,780,849	360,869,000	169,088,151.00			
2014	211,311,021	379,348,000	168,036,979.32			
2015	231,514,256	398,753,000	167,238,741.40			
2016	252,484,282	418,799,000	166,314,717.88			
2017	274,195,360	439,709,000	165,513,640.43			
2018	296,674,517	461,776,000	165,101,482.84			
2019	319,821,065	484,879,000	165,057,935.50			
2020	343,579,788	509,151,000	165,571,211.62			
2021	368,075,676	534,694,000	166,618,323.77			

	Current PERS Tier I/II TRS Tier I DB Plan	Current PERS Tier II/III & TRS Tier II DB Plan	State Affairs DC PERS/TRS Bill	Senate Bill 141 - DC	House Bill 191 - DC
<b>PERS employee contribution rate</b>	6.75% other 7.5% Police/fire 9.6% school district	6.75 or 7.5% other 7.5% Police/fire 9.6% school district	10% all members	8% all members voluntary % up to IRS limit	8% other police/fire 8.5%
<b>TRS employee contribution rate</b>	8.65%	8.65%	11% all members	8% all members	10% all members
<b>Vesting</b>	5 years PERS 8 years TRS	5 years PERS 8 years TRS	Employee is immediately vested in both employee and employer contribution	Immediate for employee contributions  Fully vested in employer contributions after 5 years (graduated scale of 25%/yr)	Employee is immediately vested in both employee and employer contribution (however employer contribution is graduated)
<b>Retirement Age</b>	55 normal – 50 early 30 "others" 20 police/fire 20 teachers	60 normal – 55 early 30 "others" 20 police/fire 20 teachers	Any age	Any age	Any age
<b>PERS &amp; TRS Benefit Formula</b>	2% up to 2.5% multiplier per year DB multiplier X years of service X high 3 year average salary	2% up to 2.5% multiplier per year DB multiplier X years of service X high 3 (TRS) or 5 (PERS) year average salary	20% PERS (includes 1% for HRA & 3.5% for medical) 22% TRS (includes 1.5% for HRA & 3.75% for medical)	16% per year to a DC account and investment earnings (includes 1% for HRA & 3.5% for medical)  5 yr graduated vesting scale of 25% increase per year  HRA - 1% average salary of employee subgroup up to \$500 annual limit	16% after five years of service - before 5 years a percentage of the employer contribution is distributed at (1 <sup>st</sup> yr 0%, 2 <sup>nd</sup> yr 25%, 3 <sup>rd</sup> yr 50%, 4 <sup>th</sup> yr 75%, 5 <sup>th</sup> yr+ 100%)
<b>Medical</b>	Do not have to retire directly from the system to be service or age eligible for medical coverage  Medical plan premium paid by retirement system for all retirees and dependents.  Except Tier II retirees	Do not have to retire directly from the system to be service or age eligible for medical coverage  Must have 10 years of service for system-paid coverage over age 60.  Employees with less than 10 years pay full	Must retire directly from the system with either 60 years adjusted to the change in mortality rate when adopted w/ 10 years of service OR 30 years service  Early retirees -	Must retire directly from the at age 65 w/ 10 years of service OR 25 yrs police/fire 30 yrs other  Access to medical coverage with one year of active service prior to retirement and age 65 with 10 years of service,	Must retire directly from the system at age 65 w/ 10 years of service OR 25 yrs police/fire 30 yrs other  Access to medical coverage with one year of active service prior to retirement and age 65 with 10 years of service,

	Current PERS Tier I/II TRS Tier I DB Plan	Current PERS Tier II/III & TRS Tier II DB Plan	State Affairs DC PERS/TRS Bill	Senate Bill 141 - DC	House Bill 191 - DC
	and survivors pay full premium under age 60.	premium for access to coverage.	Access to system, no subsidy till age 60 adjusted Retirees over 60 adjusted- Access to defined dollar medical with subsidy depending on length of service.  Retirees over Medicare eligible age - Access to medical with a reduced premium and percent subsidy based on years of service  Reimbursed for qualified medical expenses from HRA.	or at any age after (1) 25 years for peace officer/firefighter, or (2) 30 years for all others  Retiree and survivors pay full premium until Medicare eligible  After Medicare eligible, retiree shares cost based on years of service.  Reimbursed for qualified medical expenses from HRA.	or at any age after (1) 25 years for peace officer/firefighter, or (2) 30 years for all others  Retiree and survivors pay full premium until Medicare eligible  After Medicare eligible, retiree shares cost based on years of service.  Reimbursed for qualified medical expenses from HRA.
<b>Employer Normal Cost Rate PERS</b>	Current Normal Cost Rate 13.24%  20 year average 10.86%	Current Normal Cost Rate 13.24% (8.68% medical, rest pension)  20 year average 10.86%	10% (3.5% medical, 1% HRA)	8.25% (3.5% pension, 3.75% medical, 1% max \$500 HRA)	8% w/ following conditions - 1 <sup>st</sup> yr 0%, 2 <sup>nd</sup> yr 25%, 3 <sup>rd</sup> yr 50%, 4 <sup>th</sup> yr 75%, 5yr+ 100%
<b>Employer Normal Cost Rate TRS</b>	Current Normal Cost Rate 13.24%  20 year average 11.16%	Current Normal Cost Rate 13.24% (9.07% medical, rest pension)  20 year average 11.16%	11% (3.75% medical, 1.5% HRA)	8.25% (3.5% pension, 3.75% medical, 1% HRA)	8.75% w/ following conditions - 1 <sup>st</sup> yr 0%, 2 <sup>nd</sup> yr 25%, 3 <sup>rd</sup> yr 50%, 4 <sup>th</sup> yr 75%, 5yr+ 100%
<b>Risk</b>	Employer bears all the risk	Employer bears all the risk	Employer risk is minimal, employee bears investment risk	Employer risk is minimal, employee bears investment risk	Employer risk is minimal, employee bears investment risk
<b>Salary only</b>	All salary (including overtime, bonuses, etc)	All salary (including overtime, bonuses, etc)	Employee option base salary or total salary	Unknown	Base salary only
<b>Roll Over</b>	Accepts rollover from	Does not accept roll	Roll over accepted	Roll over accepted from	Does not accept roll over

	<b>Current PERS Tier I/II TRS Tier I DB Plan</b>	<b>Current PERS Tier II/III &amp; TRS Tier II DB Plan</b>	<b>State Affairs DC PERS/TRS Bill</b>	<b>Senate Bill 141 - DC</b>	<b>House Bill 191 - DC</b>
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	qualified programs	over from qualified programs nor can you rollover into a qualified program	from qualified programs and you can roll over into a qualified program	qualified programs and you can roll over into a qualified program	from qualified programs but you rollover into a qualified program
<b>Investment Options</b>	ASPIB manages investments	ASPIB manages investments	ASPIB manages investments similar to SBS	Participant controls investments and has access to a range of investment options from the ARM Board ARM has all fiduciary responsibility. Managed similar to SBS	ASPIB manages investments
<b>State Financial Help</b>	N/A	N/A	Past Service Cost Offset Account 2.681 billion	69.5 million to compensate 5% increase in employer costs FY05 -FY06 (for school districts this is inc. in the BSA)	None
<b>Transfer of employee to a DC plan</b>	N/A	N/A	Allows the transfer of current, non-vested employees to a DC account within 90 days from the enactment of legislation	None	None

ASEA

Question: All unions were sent a Tier Survey and participate in providing input about future tiers.

Did ASEA respond to this Survey?

(Answer is no)

only NEA provided a response

# Alaska State Legislature

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## REPRESENTATIVE Paul Seaton

District 35

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### Actual Projections of Pension Amounts

#### INDEX

1. HB 238 TRS projected benefits – rate of return 8.25%
2. HB 238 TRS projected benefits – rate of return 6.25%
3. HB 238 PERS projected benefits – rate of return 8.25%
4. HB 238 PERS projected benefits – rate of return 6.25%
5. SB 141 TRS projected benefits – rate of return 8.25%
6. SB 141 TRS projected benefits – rate of return 6.25%
7. SB 141 PERS projected benefits – rate of return 8.25%
8. SB 141 PERS projected benefits – rate of return 6.25%

**TRS**

**HB 238 Projected Benefits – Rate of Return 8.25%**

<b>FEMALE</b>			
Number of years worked	DC account lump sum at termination	Beginning annuity in 2004 dollars	% funded compared to current DB plan
10	\$98,267	\$5,356	81.2%
20	\$349,176	\$13,195	107.34%
30	\$948,959	\$24,864	138.93%

<b>MALE</b>			
Number of years worked	DC account lump sum at termination	Beginning annuity in 2004 dollars	% funded compared to current DB plan
10	\$98,267	\$5,806	88.02%
20	\$349,176	\$14,304	116.37%
30	\$948,959	\$26,954	150.61%

**Assumptions:**

Beginning Salary 37,538

Defined Contribution pension account percentage 15.25%

Anchorage CPI 3.73%

Real rate of interest 4.52%

Salary increase 3%

Based on 2000 mortality table (Mercer's projections are based on a 1994 mortality table)

**TRS****HB 238 Projected Benefits – Rate of Return 6.25%**

<b>FEMALE</b>			
Number of years worked	DC account lump sum at termination	Beginning annuity in 2004 dollars	% funded compared to current DB plan
10	\$88,937	\$3,999	60.62%
20	\$282,592	\$8,809	71.66%
30	\$678,771	\$14,671	81.97%

<b>MALE</b>			
Number of years worked	DC account lump sum at termination	Beginning annuity in 2004 dollars	% funded compared to current DB plan
10	\$88,937	\$4,428	67.12%
20	\$282,592	\$9,754	79.35%
30	\$678,771	\$16,245	90.77%

**Assumptions:**

Beginning Salary 37,538

Defined Contribution pension account percentage 15.25%

Anchorage CPI 3.73%

Real rate of interest 2.52%

Salary increase 3%

Based on 2000 mortality table (Mercer's projections are based on a 1994 mortality table)

**PERS**

**HB 238 Projected Benefits – Rate of Return 8.25%**

<b>FEMALE</b>			
Number of years worked	DC account lump sum at termination	Beginning annuity in 2004 dollars	% funded compared to current DB plan
10	\$79,650	\$4,341	77.2%
20	\$283,023	\$10,695	102.06%
30	\$769,174	\$20,153	132.09%

<b>MALE</b>			
Number of years worked	DC account lump sum at termination	Beginning annuity in 2004 dollars	% funded compared to current DB plan
10	\$79,650	\$4,706	83.69%
20	\$283,023	\$11,594	110.64%
30	\$769,174	\$21,848	143.2%

**Assumptions:**

Beginning Salary 32,000

Defined Contribution pension account percentage 14.5%

Anchorage CPI 3.73%

Real rate of interest 4.52%

Salary increase 3%

Based on 2000 mortality table (Mercer's projections are based on a 1994 mortality table)

**PERS**

**HB 238 Projected Benefits – Rate of Return 6.25%**

<b>FEMALE</b>			
Number of years worked	DC account lump sum at termination	Beginning annuity in 2004 dollars	% funded compared to current DB plan
10	\$72,087	\$3,241	57.64%
20	\$229,053	\$7,140	68.14%
30	\$550,174	\$11,892	77.94%

<b>MALE</b>			
Number of years worked	DC account lump sum at termination	Beginning annuity in 2004 dollars	% funded compared to current DB plan
10	\$72,087	\$3,589	63.82%
20	\$229,053	\$7,906	75.45%
30	\$550,174	\$13,167	86.3%

**Assumptions:**

Beginning Salary 32,000

Defined Contribution pension account percentage 14.5%

Anchorage CPI 3.73%

Real rate of interest 2.52%

Salary increase 3%

Based on 2000 mortality table (Mercer's projections are based on a 1994 mortality table)

**PERS****SB 141 Projected Benefits – Rate of Return 8.25%**

<b>FEMALE</b>			
Number of years worked	DC account lump sum at termination	Beginning annuity in 2004 dollars	% funded compared to current DB plan
10	\$68,664	\$3,742	66.5%
20	\$243,985	\$9,220	87.99% <i>←</i>
30	\$663,081	\$17,374	113.87% <i>←</i>

<b>MALE</b>			
Number of years worked	DC account lump sum at termination	Beginning annuity in 2004 dollars	% funded compared to current DB plan
10	\$68,664	\$4,057	72.15%
20	\$243,985	\$9,995	95.38%
30	\$663,081	\$18,834	123.45%

**Assumptions:**

Beginning Salary 32,000

Defined Contribution pension account percentage 12.5%

Anchorage CPI 3.73%

Real rate of interest 4.52%

Salary increase 3%

Based on 2000 mortality table (Mercer's projections are based on a 1994 mortality table)

**TRS****SB 141 Projected Benefits – Rate of Return 6.25%**

<b>FEMALE</b>			
Number of years worked	DC account lump sum at termination	Beginning annuity in 2004 dollars	% funded compared to current DB plan
10	\$72,899	\$3,278	49.69%
20	\$231,632	\$7,221	58.74%
30	\$556,370	\$12,026	67.19%

<b>MALE</b>			
Number of years worked	DC account lump sum at termination	Beginning annuity in 2004 dollars	% funded compared to current DB plan
10	\$72,899	\$3,629	55.02%
20	\$231,632	\$7,995	65.04%
30	\$556,370	\$13,316	74.40%

**Assumptions:**

Beginning Salary 37,538

Defined Contribution pension account percentage 12.5%

Anchorage CPI 3.73%

Real rate of interest 2.52%

Salary increase 3%

Based on 2000 mortality table (Mercer's projections are based on a 1994 mortality table)



**SB 141 Projected Benefits – Rate of Return 8.25%**

<b>FEMALE</b>			
Number of years worked	DC account lump sum at termination	Beginning annuity in 2004 dollars	% funded compared to current DB plan
10	80,547	4,390	66.55%
20	286,210	10,816	87.99%
30	777,835	20,380	113.87%

<b>MALE</b>			
Number of years worked	DC account lump sum at termination	Beginning annuity in 2004 dollars	% funded compared to current DB plan
10	80,547	4,759	72.15%
20	286,210	11,725	95.38%
30	777,835	22,094	123.45%

**Assumptions:**

Beginning Salary 37,538

Defined Contribution pension account percentage 12.5%

Anchorage CPI 3.73%

Real rate of interest 4.52%

Salary increase 3%

Based on 2000 mortality table (Mercer's projections are based on a 1994 mortality table)



**PERS****SB 141 Projected Benefits – Rate of Return 6.25%**

<b>FEMALE</b>			
Number of years worked	DC account lump sum at termination	Beginning annuity in 2004 dollars	% funded compared to current DB plan
10	\$62,144	\$2,794	49.6%
20	\$197,460	\$6,155	58.74%
30	\$474,288	\$10,251	67.19%

<b>MALE</b>			
Number of years worked	DC account lump sum at termination	Beginning annuity in 2004 dollars	% funded compared to current DB plan
10	\$62,144	\$3,094	55.02%
20	\$197,460	\$6,816	65.04%
30	\$474,288	\$11,351	74.4%

**Assumptions:**

Beginning Salary 32,000

Defined Contribution pension account percentage 12.5%

Anchorage CPI 3.73%

Real rate of interest 2.52%

Salary increase 3%

Based on 2000 mortality table (Mercer's projections are based on a 1994 mortality table)