

STATE OF ALASKA

SEAN PARNELL, GOVERNOR

DEPARTMENT OF ADMINISTRATION
DIVISION OF RETIREMENT AND BENEFITS

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June 14, 2011

Dear PERS and/or TRS Employer:

RE: Fiscal Year 2012 Annual PERS / TRS Employer Contribution Rate Notice

The Alaska Retirement Management Board (ARMB) has established Fiscal Year 2012 (FY12) employer contribution rates for the Public Employees' (PERS) and Teachers' (TRS) Retirement Systems Defined Benefit (DB) and Defined Contribution Retirement (DCR) Plans.

The employer contribution rates are effective for pay period end dates between July 1, 2011 and June 30, 2012.

The purpose of this letter is to:

- A) inform you of your FY 2012 employer contribution rates:
 - 1. Defined Benefit (DB) – PERS Tier I / II / III & TRS Tier I / II
 - 2. Defined Contribution (DCR) – PERS Tier IV & TRS Tier III
 - 3. Allocation of Pension and Other Postemployment Healthcare Benefits (OPEB)
 - 4. PERS Past Service Cost rate
- B) provide information related to the annual actuarial valuation and plan financial statements;
- C) verify the administrator's and payroll contact's name and address; and
- D) obtain contact name for the finance officer / business manager.

A(1). FY 2012 Defined Benefit Plan Employer Contribution Rates

Defined Benefits Plan (PERS Tier I / II / III & TRS Tier I / II)

In setting the **Defined Benefit** (DB) plan rates, the board addressed compliance with Alaska Statute (AS) 39.35.255, related to the **PERS Plan employer effective rate of 22 percent** and AS 14.25.070, related to the **TRS Plan employer effective rate of 12.56 percent**.

Additionally, the board addressed compliance with legislative funding appropriations contained in House Bill (HB) 108 (Operating Budget - **Section 29**) to provide employer on-behalf funding for **PERS and TRS** employers. The FY12 PERS employer effective rate is 22 percent for all PERS DB and DCR contributions. The FY12 PERS board adopted rate is 33.49 percent, with HB108 providing an employer on-behalf rate of 11.49 percent for each FY12 employer payroll.

The FY12 TRS employer effective rate is 12.56 percent for all TRS DB and DCR contributions. The FY12 TRS board adopted rate is 45.55 percent, with HB108 providing an employer on-behalf rate of 32.99 percent for each FY12 employer payroll.

The **Defined Benefit** plan employer rates for the PERS and TRS are outlined in the table below:

PERS/TRS DB Plan – FY 2012 Contribution Rates (PERS Tiers I/II/III and TRS Tiers I/II)			
	PERS		TRS
	(P)*	(A)*	
ARMB Adopted Rate	33.49%		45.55%
Employer Effective Rate	22.00%		12.56%
*P = Peace officers/firefighters A = All others			

A(2). FY 2012 Defined Contribution Retirement Plan Employer Contribution Rates

Defined Contribution Retirement (DCR) Plan (PERS Tier IV & TRS Tier III)

For fiscal year 2012, there is a *decrease* in the Retiree Medical Plan and Occupational Death and Disability rates for the PERS and TRS Plans. There is an *increase* in the Health Reimbursement Arrangement (HRA) contribution amounts.

There is no change in the DCR Plan computation for Fiscal Year 2012. The computation is the same, only the rates have changed. Senate Bill 123 (Chapter 20 SLA 07), the “technical clean-up” bill, requires that the PERS and TRS Defined Benefit rate be applied to **both** DB and DCR salaries. However, in some cases, the Defined Benefit **effective rate** will not be sufficient to cover all required DCR contributions. **All DCR Plan employer contribution obligations are required.** Employers will pay either the effective rate **or** the DCR required rate **plus** the HRA, **whichever amount is greater.**

The employer rate for the PERS and TRS **DCR Plan**, and the HRA amounts are outlined in the tables below:

PERS/TRS DCR Plan – FY 2012 Contribution Rates (PERS Tier IV/TRS Tier III)			
	PERS		TRS
	(P)*	(A)*	
Employer Contribution	5.00%	5.00%	7.00%
Retiree Medical	0.51%	0.51%	0.58%
Occupational Death & Disability	0.97%	0.20%	0.00%
DCR Required Rate + HRA (=DCR Plan TOTAL contribution obligation)	6.48% + HRA**	5.71% + HRA**	7.58% + HRA**
Defined Benefit Unfunded Liability (DBUL)	***	***	***
Employer Effective Contribution Rate TOTALS	22.00%		12.56%
*P = Peace officers/firefighters A = All others			

** Per AS 39.30.370, a rate of 3.00% is applied to the average annual compensation of **all employees of all employers** in the TRS and the PERS plans. The contribution amount is then converted to a per pay period, per employee contribution amount. Contributions to the employee's HRA account are required for every pay period in which the employee is enrolled in the DCR Plan, regardless of the compensation paid during the calendar year. By definition, the HRA cost is a dollar amount reflected in the table below:

FY 2012 HRA Amounts				
Annual	Quarterly	Semi-monthly	Bi-weekly	Monthly
\$1,778.09	\$444.52	\$74.09	\$68.39	\$148.17

For **full-time TRS** members who are paid over a period of less than 12 months, the employer will calculate the amount due per pay period by dividing the **annual** amount by the number of scheduled payments. For example, for a full-time TRS member who receives nine monthly payments the employer contribution would be \$197.57 per pay period (\$1,778.09 annual cost divided by nine payments).

For all school districts, please note the prorated calculation of annual HRA contributions **does not apply** to PERS DCR Plan Noncertificated (classified) School Employees. These employees are NOT eligible to elect the alternate option program (SB9). Once the Division of Retirement and Benefits PERS system is provided the Leave Without Pay (LWOP) date for the last day worked for the school year, service is turned off and HRA contributions are suspended for the summer break.

For **TRS part-time employees**, the HRA rate is based on the contract percentage worked multiplied by the rate provided in the table **above**. For example, a 70% employee paid monthly would have a contribution to the HRA of \$103.72 per pay period (\$148.17 x 70%).

For **part-time** PERS members, the employer contributes the PERS **hourly** amount for each hour the employee worked in each pay period until the employer has contributed the annual amount for the fiscal year, illustrated in the table below:

FY 2012 HRA Amount (PERS part-time members)
Hourly
\$1.14

*** The Defined Benefit Unfunded Liability (DBUL) amount levied against the DCR Plan payroll is equal to the employer effective rate **minus** the DCR Plan total employer contributions. For example:

DBUL Amount Example		
PERS Occupation Code "A" Example – Semi-monthly Payroll		
Gross Payroll		\$1,000.00
	Rates	Employer \$
Employee contribution	8.00%	Not included in employer cost
Employer contribution	5.00%	\$50.00
Retiree Medical Plan	0.51%	5.10
Occupational Death & Disability	0.20%	2.00
Health Reimbursement Arrangement (HRA)		74.09
Subtotal Employer contribution		\$131.19
Employer Effective Rate <i>(as required by SB 125)</i>	22.00%	220.00
Subtotal from above <i>(subtract from Effective Rate)</i>		-131.19
Amount posted to DBUL		\$88.81

Note: Testing showed that in some very rare cases, the amount calculated by **eReporting** for entry in DBUL may be less than zero (a negative number). In such cases, **eReporting** will post \$0.00 as a DBUL contribution. In no case can the employer contribution to the DBUL be less than zero (a credit).

A(3). FY 2012 Allocation of Pension and Other Postemployment Healthcare Benefits (OPEB) Employer Contributions

For purposes of reporting and posting, the rate split between Pension and Other Postemployment Healthcare Benefits (referred to as Healthcare by the Division) is applied to each payroll upon processing by the Division. The table below provides the rates used to post all employer contributions between Pension and Healthcare.

Below is rate split for **DB PERS and TRS** Pension and Healthcare:

PERS/TRS DB – FY 2012 OPEB Rate Split Occupation Codes A, C, D, E, F M & P						
	PERS			TRS		
	Pension	Healthcare	TOTAL Rates	Pension	Healthcare	TOTAL Rates
Employer Contribution & Defined Benefit Unfunded Liability (DBUL)	9.92%	12.08%	22.00%	6.44%	6.12%	12.56%
Legislative On-Behalf (GASB 24 on-behalf payment)	5.18%	6.31%	11.49%	16.92%	16.07%	32.99%

A(4). PERS FY 2012 Past Service Cost Rate

For PERS employers that have terminated a group of employees, a position, or in entirety still pay the past service cost associated with the terminated positions per AS 39.35.625(a). **The fiscal year 2012 Past Service Cost rate is 22.48%.**

B. Annual Actuarial Valuation Report and Financial Statement

The Actuarial Valuation Report and System Financial Statements are available online.

To navigate to these reports, follow these steps:

1. Go to the Division's website at alaska.gov/drb
2. Click on Publications in the Quick Links column to the right.
3. Click on the appropriate System.
4. Select the report you want to view.

If you prefer a hard copy of any of these reports, please contact the Division of Retirement & Benefits at (907) 465-5719 or email the division at doa.drb.accountingsection@alaska.gov.

C. Administrator and Payroll Contact Name and Address Verification

If your administrator or payroll contact names, mailing address or email addresses have recently changed, please take a moment to verify the name and address with the Division. If any changes are needed please send your updates by fax to the accounting section's attention at (907) 465-3291 or email the division at doa.drb.accountingsection@alaska.gov.

D. Finance Director / Business Manager Contact

Please take a moment to share with us the contact name you would like the Division to use when communicating with your Finance Director / Business Manager. Please email the contact name, contact title, phone number, fax number, and email address to doa.drb.accountingsection@alaska.gov.

If you have any questions, please contact your Division of Retirement & Benefits Accounting Representative toll-free at (800) 821-2251, or in Juneau at (907) 465-4460.

Sincerely,

Christina Maiquis
Accounting Supervisor