

A collage of grayscale images in the background, including a man in a dark jacket, a construction worker on a ladder, a person in a white lab coat, and a firefighter in full gear.

Technical Clarification Bill Overview – HB 204

House Ways & Means

Division of Retirement and Benefits
March 30, 2007

Extensive Review

- Department of Law
- Independent tax counsel, Ice Miller LLP
- Division of Retirement and Benefits

Reasons For Legislation

- Ensure Defined Contribution Retirement (DCR) Plan benefits provided as intended
- Update Defined Benefit (DB) plans for qualification in 2008 per the Pension Protection Act of 2006
- Administrative Changes

Defined Contribution Plans

DCR Plan Changes

- Occupational Death and Disability (D&D) benefit administration and funding
- Employer participation
- Member participation
- IRC Contribution limits

Occupational Death & Disability

- Funding the benefits
 - TRS Occ D&D fund
 - PERS Occ D&D clarification for disabled Peace Officer/Firefighter at normal retirement
- Annual inflation-proofing
 - Provides the lesser of:
 - Disability-75% of increase in CPI or 9%
 - Survivor-50% of increase in CPI or 6%

Occupational Death & Disability

- Periods of disability and survivor benefits constitute membership service for retirement/medical eligibility
- Member or Survivor not entitled to individual account until retirement
- Provides medical cost share at normal retirement, regardless of age

Employer Participation

- Provides participation and termination authority for new PERS employers.
- Establishes a time limit on conversion election period for employees
- Assigns employer retiree health contributions to the Alaska Retiree Health Trust

Member Participation

- Adds Governor, Lieutenant Governor, and Legislators as members of the DCR Plan.
- Clarifies that a DB member hiring with a new DCR Plan-only employer participates in the DCR Plan.

Member Participation

- Clarifies that a former DB member who does not reinstate service before July 1, 2010, will be a DCR Plan member if re-employed after that date.
- Specifies how the IRC § 415(c) limits affect payment of the employer conversion match for DB to DC conversions.

IRC Compliance

- Disabled member 100% vested in employer contributions
- Survivor retirement benefit funded from Occupational D&D fund
- USERRA Compliance
- § 415(c)—Contribution Limits
 - contributions on behalf of survivors
 - voluntary employee contributions

Defined Benefit Plans

Pension Protection Act

- Updates rollover provisions and includes a Roth IRA as of January 1, 2008
- Allows an alternate payee to rollover contributions
- Requires a rollover of pre/post-tax contributions to be accounted for separately by receiving plan

Employer Participation

- Normal cost and past service rate applied to total payroll dollars
- Establishes a deadline for terminated employers to pay termination costs

Employer Participation

- Allows the plan to intercept other state funds for payment of delinquent contributions.
- Codifies use of forfeitures to be applied to future employer contributions.

Member Participation

- Repeals the ability to reinstate service for Conditional or Public Service benefits as of July 1, 2010
- DB members who hire with a DCR Plan-only employer participate in the DCR Plan
- Former DB members who do not reinstate by July 1, 2010, are DCR Plan members upon rehire

Administrative

New Trust

- Alaska Retiree Health Trusts
 - ARMB Trustees
 - Receive employer health contributions
 - Pay retiree medical premiums

Administrative

- Removes NEA as an eligible employer
- Removes Social Security tax wage base cap from employee/employer contributions
- Conforms Administrator's duties across plans

Administrative

- Returns authority to the Commissioner of Administration to adopt regulations for the SBS, DCP and HRA plans.
- Provides OAH authority to hear appeals for the SBS, DCP and HRA plans.
- Provides OAH authority to hear PERS/TRS requests for waivers of timeliness and adjustment.

Technical Clarification Bill Overview

- Allows State to administer benefits intended by the legislature
- Provides funding mechanisms for all benefits
- Addresses IRC requirements
- Removes administrative ambiguities