



Employers' Edge

Employer news from the
Alaska Division of
Retirement and Benefits

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March 2008 | Volume #39

Senate Bill 183, "Repeal Defined Contribution Plans," to have Hearing on March 18

Testimony on [Senate Bill 183](#), a bill to repeal the defined contribution plans for teachers and public employees, will be heard at 9:00 a.m. on March 18 by the Senate State Affairs committee.

Understanding Calculation of the Health Reimbursement Arrangement (HRA) Amount

Senate Bill 141 (SB 141) created new defined contribution plans for PERS (Tier IV) and TRS (Tier III) and established a Health Reimbursement Arrangement Plan (HRA) for retirees. The HRA is an

employer funded way to reimburse qualifying health care expenses for eligible members.

Senate Bill 141 created the “State of Alaska Teachers’ and Public Employees’ Retiree Health Reimbursement Arrangement Plan” and is codified in Alaska Statute (AS) Article 5, Section 39.30.300 through 39.30.495. Some important items of the plan are:

1. Established for PERS / TRS members who **first** become a member of either plan on or after July 1, 2006, who were nonvested defined benefit members who converted to the PERS/TRS DCR Plan or who are defined benefit members working for a participating employer that only participates in the PERS/TRS DCR Plan.
2. Allows for reimbursement of eligible medical care expenses from special purpose savings accounts established for eligible persons.
3. Is employer funded; no member contributions allowed.
4. The Alaska Retirement Management Board (ARMB) is the fiduciary of the fund.



Only participating PERS/TRS employers can make contributions to the HRA, and they must be made on a schedule that coincides with the employer’s payroll period. Of primary concern to employers is the calculation of the HRA amount. Employers have asked why they must contribute a flat dollar amount per employee rather than an amount based on a percentage of individual compensation.

The Division is not able to provide such a percentage rate for the HRA employer cost because the Internal Revenue Code (IRC) prohibits discrimination based on salary. IRC Section 105(h) prohibits discrimination with respect to both eligibility **and** benefits in the HRA plan:

- (1) For eligibility nondiscrimination, the HRA plan cannot discriminate in favor of highly paid individuals if the plan meets either a percentage test or a classification test. Basically, the HRA plan should not discriminate based on job description or salary.
- (2) For benefits nondiscrimination, all of the benefits which are provided for participants who are highly compensated individuals (and their dependents) must also be provided for all other participants (and their dependents). In this case, the HRA plan should not discriminate based on salary. What one eligible person gets in benefits, the whole group gets in benefits.

In order to be nondiscriminatory, the HRA plan was set up so that each eligible person in the plan receives the same dollar amount benefit regardless of position, wages paid, or employer. If a calculation was based on a percentage, the eligible person who makes \$1,000/month would receive a lower HRA employer contribution than the eligible person who makes \$3,000/month.

AS Section 39.30.370, as amended by SB 123 in 2007, states that “For each member of the plan, an employer shall contribute to the teachers’ or public employees’ retiree health reimbursement arrangement plan trust fund an amount equal to three percent of the average annual compensation of all employees of all employers in the teachers’ retirement system and public employees’ retirement system.” For definition of this section, the “average annual compensation” is applied across all defined contribution salaries for all participating employers. That is why the HRA amount is the same for each eligible member no matter the salary, position, or employer.

While the HRA flat dollar amount may be troublesome for the calculation of employer charges, it is a

necessity to make sure all members benefit equally.

The Division is interested in reducing reporting burdens and continues to examine our reporting system to improve interaction with employer payroll systems. We will continue to search for ways to improve HRA reporting.

Employer eReporting

(for political subdivisions & school districts)

Electronic Payment Option - Why You Should Use It

Electronic Payment Option-- Less Expensive, More Efficient

Back in the March 2007 issue of the **Employers' Edge** we announced that employers with individual contribution payments over a million dollars could now use the **eReporting** electronic payment option.

The advantages of the electronic payment option are a decrease in cost and increase in efficiency. Compared to payment via check, there is no check stock expense, no postage expense, and no cost for check processing. If you are still paying via check or other payment option, please consider the **eReporting** electronic payment. If you try it you just might like it.

The **eReporting** option is similar to the Automated Clearing House (ACH) transfer that some employers are still using; both are electronic movement of funds from one bank account to another. However, **the electronic payment option requires less administrative work for all involved.** And, the full cost of the transaction shifts to DRB.

With the ACH transfer, the employer initiates, and pays for, the electronic transaction and sends via fax the ACH instructions to both the Division of Retirement and Benefits (DRB) and the Division of Treasury. The Division of Treasury then has to



Remove Debit Blocks

You must insure that “Debit Blocks” are removed from your bank account in order for an **eReporting** electronic payment to process successfully. You will need to contact your bank and have the debit blockers removed for our Company ID “0000957001.” This will ensure the authorized transactions are not blocked. Also note that a prenote transaction will not detect a debit block.

If you need assistance in setting up a **Banking Tab** or have questions please contact your payroll

manually watch for the transaction to clear, process it into DRB's accounts, and then notify DRB that the transaction has cleared.

We Pay the Transaction Fee

If you use the **eReporting** electronic payment option, our system will initiate the transaction and **we will pay the transaction fee**. It also eliminates the need for ACH instructions and manual intervention from the Division of Treasury. DRB obtains the information needed to process the payment from the Employer Summary Report at the end of the payroll submission process.

contact person at (800)-821-2251 or at the phone number or email listed below.

Please see the **eReporting User's Guide** for additional information, available online at this [link](#) on the [Employer Services](#) web page under **Spotlight**.

Payroll Contact Information - Below is the name, phone number, and email address of each employer's payroll processing point of contact with the Division. Or, you can contact Tammy Rohach, Retirement & Benefits Specialist (payroll processing supervisor) directly at 907-465-5715 or email her at tammy.rohach@alaska.gov.

PERS Employers

#s - 101, 110, 111, 113, 117, 145, 180, 190, 737

Tricia Robinson
Retirement & Benefits Specialist I
Phone: 800-821-2251 extension 5709
tricia.robinson@alaska.gov

#s – 102 through 160 and 173

(excluding 110, 111, 113, 117, & 145)
Ellie Schroeder
Retirement & Benefits Technician III
Phone: 800-821-2251 extension 3862
eleanor.schroeder@alaska.gov

#s– 161 through 227 (excluding 173, 180, 190, 214, & 222)

Charley Larson
Retirement & Benefits Technician III
Phone: 800-821-2251 extension 5714
charley.larson@alaska.gov

PERS Employers (cont'd)

#s– 214, 222, and 228 through 294

Mandy Ireland
Retirement & Benefits Technician II
Phone: 800-821-2251 extension 5713
amanda.ireland@alaska.gov

All TRS employers or 700s except 737

Tammy Rohach
Retirement & Benefits Specialist
Phone: 800-821-2251 extension 5715
tammy.rohach@alaska.gov

PERS/TRS Payroll Processing Section

Phone: 907-465-1444
email:
doa.drb.accountingsection@alaska.gov
Fax: 907-465-3291



PERS and TRS Publications Available Online

The following publications for the PERS and TRS are available on the Division of Retirement and Benefits website:

- **Financial Statements**
- **Actuarial Valuations Reports**
- **Supplements to the Actuarial Valuations**
- **Comprehensive Annual Financial Reports**

PERS Publications are located here: <http://www.state.ak.us/drb/pers/perspublications.shtml>
[PERS Comprehensive Annual Financial Report--2007](#)
[Actuarial Valuation Reports and Supplemental to the Valuation Reports](#)
[Financial Statements](#)

TRS Publications are located here: <http://www.state.ak.us/drb/trs/trspublications.shtml>
[TRS Comprehensive Annual Financial Report--2007](#)
[Actuarial Valuation Reports](#)
[Financial Statements](#)

To navigate to these reports in the future, follow these steps:

1. Go to the Division's website at www.state.ak.us/drb
2. Click on Publications in the Quick Links column to the right
3. Click on the appropriate Fund.
4. Select the report you want to view.

If you prefer a hard copy of these reports, please contact the Division of Retirement and Benefits at (907) 465-5711.

Updated Forms and Brochures

The following forms and brochures have been updated since the last newsletter. Please be sure to throw away any old forms or brochures and use only these updated ones. Printing from the Division [Web site](#) will assure you always have the most current version.

Form No.	Description
dcr006	Elected Official Participation/Waiver

Dear Employers:

We hope you find this employer newsletter helpful. If you have any questions or suggestions please feel free to contact us. Any feedback from you will be greatly appreciated. For a printer friendly copy of this issue, please click [here](#); for all past issues, click [here](#). Email your comments to [Barbara Kelly](#). The following people are your contacts in the Audit Section:

Contacting the Division

When contacting the Division, please address your request to the appropriate section or unit.

Accounting Section (907) 465-1444	Divorce/Dissolution Unit (907) 465-3233
Audit Section (907) 465-5707	Pension Adjustments Unit (907) 465-1400
Benefits Section (907) 465-8600	Pre-Retirement Services Unit (907) 465-5700
Death Benefits Unit (907) 465-5697	Retiree Payroll Section (907) 465-1447
Deferred Compensation Plan (907) 465-4433	Retirement Processing Unit (907) 465-1477
Dependent Care Assistance Plan (907) 465-4464	Supplemental Annuity Plan (907) 465-1600
Disability/Appeals Unit (907) 465-1153	

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