

I – Overview of the PERS

Welcome to the State of Alaska Public Employees' Retirement System Employer (PERS) Manual. This manual is designed to be your resource guide when you have questions regarding the PERS, and to identify who to contact if you have additional questions.

Reporting Contact – Accounting

Alaska.gov/drb/employer

- Payroll Reporting
- SBS Reporting
- Employer Contribution Rates

Benefits Contact – Regional Counselor

Alaska.gov/drb/reps

- Eligibility and Entitlement
- Member Classification
- participation agreements
- Retirement Education

This summary provides a brief overview of the system, including both the Defined Benefit and Defined Contribution Plans. **Throughout this manual, a “member” is one who participates in and is eligible for coverage under the PERS system.**

Defined Benefit Retirement Plan

The original plan established in 1961 is a Defined Benefit (DB) Plan.

Members are those who first entered the PERS:

- Before July 1, 1986, are in Tier I;
- On or after July 1, 1986, but before July 1, 1996, are in Tier II;
- On or after July 1, 1996, but before July 1, 2006, are in Tier III.

The benefits under this plan are defined in Alaska Statute and the pension is based on a formula. Included with the monthly pension are medical benefits also paid by the retirement system. The plan also offers disability and death benefits.

Defined Contribution Retirement Plan

The second plan, established on July 1, 2006, is a Defined Contribution Retirement (DCR) Plan.

Members are those who first entered the PERS:

- On or after July 1, 2006, are in Tier IV.

The Defined Contribution Retirement (DCR) Plan is a hybrid plan that includes benefits for occupational death, occupational disability, and retiree health care in addition to the defined contribution retirement income benefit. Members can elect to participate in the State of Alaska's retiree major medical insurance plan. Additional health benefits include a medical expense reimbursement account, funded entirely by employer contributions.

Statutes and Regulations

Alaska.gov/drb/pers/employee/resources/statsRegs.html

NOTE: For detailed information regarding the PERS, please refer to Alaska Statute 39.35 and Alaska Administrative Code 2 AAC.35. This manual is only a summary. The PERS statutes and regulations will prevail whenever there is a difference in interpretation between this handbook and the statutes or regulations.

Administration of the PERS

The Chief Pension Officer of the Division of Retirement and Benefits (Division) serves as the Administrator of the PERS by appointment of the Commissioner of Administration. The Administrator oversees the day-to-day operation of the system.

The Alaska Retirement Management Board (ARMB) assumed fiduciary responsibility for the assets of the state's retirement systems as of October 1, 2005.

The Systems and Plans for which the ARMB manages and invests funds are the:

- Public Employees' Retirement System
- Teachers' Retirement System
- Judicial Retirement System
- National Guard/Naval Militia Retirement System
- Alaska Supplemental Annuity Plan
- Alaska Deferred Compensation Plan
- Alaska Defined Contribution Plan

The board consists of nine trustees and is staffed by the Department of Revenue – Treasury Division. The board appoints an Investment Advisory Council (IAC) composed of three members who possess experience and expertise in financial investments and management of investment portfolios. The ARMB also contracts with an external consulting firm for assistance with asset allocation, strategy, performance measurement, general consulting purposes and with a consulting firm for assistance with investing the real estate portfolio.

Alaska Retirement Management Board (ARMB)

Treasury.dor.alaska.gov/armb

II – Participation Agreements

Each employer in PERS has a participation agreement on file with the Division of Retirement and Benefits. The participation agreement identifies the date of the employer's entry into the PERS, members by group or type eligible to participate, and current or past-service recognition. You should maintain a copy of your original participation agreement and all amendments to the agreement in your files. Contact your Regional Counselor with questions regarding your participation agreement or amendments to the agreement.

Designation of Covered Members

- You may designate departments, groups, or other classifications of members eligible to participate in the system. It is possible to include or exclude certain groups of members from coverage, if desired. If the inclusion or exclusion is not contained in the original participation agreement, an amendment must be submitted and approved by the Administrator of the plan.
- If you decide not to cover a department, group or other classification of members, all members of that group will be removed from the plan as of the effective date of the amendment. An employer is not allowed to exclude only certain members of a group from plan coverage while allowing others in the group to continue to participate.

For example, you may not exclude only elected officials who are elected after a certain date but continue to cover existing elected officials. Nor can you exclude specific members; you must exclude the entire department, group or other classification. For example, if you have a job class series of Police Officer I, II and III positions, you may not exclude just the Police Officer I positions from participation in the PERS. You would be required to exclude the entire job class series.

If a singular position exists, for example the Chief of Police, you may choose to exclude this position from participation in the PERS.

Elected Official PERS Participation

Employers who included elected officials in participation agreements prior to June 6, 2007

If the employer **included** elected officials in their participation agreement prior to June 6, 2007, enrollment of newly elected officials is dependent upon the tier of benefits under which the new officer is eligible.

- **Defined Benefit Elected Officials (PERS Tiers I, II, III):** Newly elected officials who are already members of the PERS defined benefit plans (first entered the PERS prior to July 1, 2006) can be enrolled in PERS as long as they are compensated for their services. Defined Benefit elected officials with a participating employer who included elected officials prior to June 6, 2007 do not have to meet the \$2,001 monthly compensation requirement to remain in PERS.
- **Defined Contribution Elected Officials (PERS Tier IV):** Newly elected officials who have not previously been members of the PERS or who are defined contribution PERS members, must be compensated at a rate of \$2,001 per month to be eligible for PERS participation.

Employers who included elected officials in participation agreements on or after June 6, 2007

If the employer **did not include** elected officials in their participation agreement prior to June 6, 2007, amended their agreement to add elected officials on or after June 6, 2007 or is presently amending their participation agreement to include elected officials, **all** elected officials, both defined benefit and defined contribution, must be compensated at the rate of \$2,001 per month to be eligible for PERS participation.

Probationary Periods Before Enrollment

Some employers require members to serve a probationary period before they are eligible to enroll in the PERS. This requirement is identified in the employer's participation agreement.

Please be aware that if you require a probationary period before enrolling the member in PERS, the service period is not PERS-eligible and cannot be claimed. In addition, it does not meet the definition of full-time temporary employment and the member may not claim it for credit in the system.

Part-Time and Seasonal Members

Part-time and seasonal members are eligible to participate in the PERS and should be reported to the system. The only exception to this is if you have amended your participation agreement to exclude these position types.

Amendment Process

- Contact Regional Counselor
- Resolution passed by governing body
- Participation Amendment forms submitted
- Approval by the Plan Administrator

The employer may request that its participation agreement be amended. The request may be made only after adoption of a resolution by the legislative body of the political subdivision and approval of the resolution by the person authorized to approve the resolution, or, in the case of a public organization, after adoption of a resolution by the governing body of that public organization. A **certified** copy of the resolution will be filed with the PERS Administrator.

The resolution must state the effective date of the amendment, identify which members by group or type that will be included or excluded, and the name and title of the person authorized to sign the agreement on behalf of the governing body. The provisions stated in the resolution must match the provisions outlined in the participation agreement. **Any discrepancy between the participation agreement and the resolution will result in a delay in acceptance of the agreement until a revised agreement or resolution is received by the PERS.**

The amendment to the participation agreement must be submitted on the required amendment form. Be sure to complete and submit two amendment forms with original signatures. When approved, one original of the amendment will be returned to you for your records.

The effective date of amended coverage is designated in the amendment. It must be the first of a month and must be prospective. The amendment must also be numbered.

Process and Cost of Removing Members From Coverage

There is a process and differing costs to remove members from coverage depending upon when the employer began participation in the PERS.

Employers who began participation in the system on or before June 30, 2006

- Contact Regional Counselor
- Resolution passed by governing body
- Termination Study completed
- Amendment to participation agreement submitted

If you are considering excluding coverage of a department, group, or other classification of members, you must contact Buck Consultants to have a termination study done. This study will tell you what your one-time termination cost is. This cost represents the amount necessary to fully fund the costs to the plan for members who become vested through this process and for other changes in actuarial assumptions, like earlier than expected retirement, that arise because of the act of termination from coverage. Benefits due to terminated members must be funded by the employer and the employer must

either pay the amount in a lump sum within 60 days of termination or enter into a payment plan that is acceptable to the PERS Administrator.

In addition to this cost, you will continue to make contributions toward the unfunded liability for your defined benefit members (Tiers I, II and III) each pay period by the amount determined by applying the past-service rate times the salary of the individuals you are removing. The current past-service rate for FY 2011 is 20.90%. This rate will change with each new Fiscal Year.

- Each member whose coverage is terminated is considered fully vested in the accrued retirement benefits effective the date of termination.
- Each member affected by termination has a choice of taking a refund of their contributions or receiving a vested benefit in the PERS. The member has 60 days to submit their decision in writing to the administrator of the plan.
- If the member elects to receive a refund, they will forfeit all service with the terminating employer and the service cannot be reinstated at a later date.

Employers who began participation in the system on or after July 1, 2006

- Contact Regional Counselor
- Resolution passed by governing body
- Termination Cost Assessed
- Amendment to participation agreement submitted

If you are considering excluding coverage of a department, group, or other classification of members, the Administrator of the Plan will assess a termination cost that is determined to be actuarially required to fully fund the costs to the plan for members whose coverage is terminated. This cost includes the employer's share of retiree health benefits, occupational death and disability benefits and continuing lifetime pension benefits elected by qualifying peace officers or firefighters.

The termination cost is borne by the employer. Benefits due to terminated members must be funded by the employer and the employer must either pay the amount in a lump sum within 60 days of termination or enter into a payment plan that is acceptable to the PERS Administrator.

- Each member whose coverage is terminated is considered fully vested in the employer contributions and in their own contributions effective the date of termination.
- If the member is later employed with a participating employer, all service earned during the employment period with the terminated employer is credited for purposes of determining vesting in employer contributions and eligibility for medical benefits.

Termination of Participation

Employers who began participation in the system on or before June 30, 2006

- Contact Regional Counselor
- Resolution passed by governing body
- Termination Study completed
- Termination cost paid within 60 days or payment plan entered into

The employer may request that its participation agreement be terminated. The employer must give the plan administrator 90 days notice prior to termination. The request may be made only after adoption of a resolution by the legislative body of the political subdivision and approval of the resolution by the person required by law to approve the resolution, or, in the case of a public organization, after adoption of a resolution by the governing body of that public organization. A **certified** copy of the resolution will be filed with the PERS Administrator.

If you are considering terminating participation, you must contact Buck Consultants to have a termination study done. This study will tell you what your one-time termination cost is. This cost represents the amount necessary to fully fund the costs to the plan for members who become vested

through this process and for other changes in actuarial assumptions, such as earlier-than-expected retirement, that arise because of the act of termination from coverage. Benefits due to terminated members must be funded by the employer and the employer must either pay the amount in a lump sum within 60 days of termination or enter into a payment plan that is acceptable to the PERS Administrator.

Termination of participation by an employer does not prohibit future participation by the same employer as long as the cost of the prior termination has been paid in full.

Termination of participation can involuntarily occur if the employer fails to make its mandatory contributions to the PERS within the established time limits. Should this occur, an extension of the payment of contributions may be granted. If at the end of the extension period the employer is still in default, their participation in the plan will be terminated. Notice of termination will be sent to the employer.

- All current or deferred members of a terminated employer are considered fully vested in the accrued retirement benefits effective the date of termination, providing they have not received a refund of their contributions.
- Each member affected by termination of participation has a choice of taking a refund of their contributions or receiving a vested benefit in the PERS. The member has 60 days to submit their decision in writing to the administrator of the plan.
- If the member elects to receive a refund, they will forfeit all service with the terminating employer and the service cannot be reinstated at a later date.

Employers who began participation in the system on or after July 1, 2006

- Contact Regional Counselor
- Resolution passed by governing body
- Termination cost assessed

The employer may request that its participation agreement be amended. The request may be made only after adoption of a resolution by the legislative body of the political subdivision and approval of the resolution by the person authorized to approve the resolution, or, in the case of a public organization, after adoption of a resolution by the governing body of that public organization. A **certified** copy of the resolution will be filed with the PERS Administrator.

The Administrator of the Plan will assess a termination cost that is determined to be actuarially required to fully fund the costs to the plan for members whose coverage is terminated. This cost includes the employer’s share of retiree health benefits, occupational death and disability benefits and continuing lifetime pension benefits elected by qualifying peace officers or firefighters. The termination cost is borne by the employer. Benefits due to terminated members must be funded by the employer and the employer must either pay the amount in a lump sum within 60 days of termination or enter into a payment plan that is acceptable to the PERS Administrator.

Termination of participation by an employer does not prohibit future participation by the same employer as long as the cost of the prior termination has been paid in full.

Involuntary termination of participation can also occur if the employer fails to make its mandatory contributions to the PERS within the established time limits. Should this occur, an extension of the payment of contributions may be granted. If at the end of the extension period the employer is still in default, their participation in the plan will be terminated. Notice of termination will be sent to the employer.

- Each member whose coverage is terminated is considered fully vested in the employer contributions and in their own contributions effective the date of termination.
- If the member is later employed with a participating employer, all service earned during the employment period with the terminated employer is credited for purposes of determining vesting in employer contributions and eligibility for medical benefits.