

Sectional Analysis for CSHB 238

Sec. 1. (a) Establishes the public employees' pension fund past service cost offset account (PSCOA). Suggests the legislature appropriate funds into the account.

(b) Establishes that the administrator may pay into the pension fund account of the employer the past service cost offset contributions corresponding to the defined contribution employees. States that the amount paid on behalf of employers will be actuarially calculated but the contribution will be limited to the blended employer past service cost rate.

(c) Clarifies how the past service offset contribution will be calculated.

- (1) Specifies that the past service cost rate used in calculating PSCOA payments will be calculated based on the entire wage base of the employer. This wage base is calculated including all defined contribution and defined benefit employees. Clarifies that the PSCOA will only pay up to the system wide average past service cost rate for employers as applied to Tier IV employees.

(d) Definitions

- (1) "account" refers to the PSCOA established in this Act
- (2) "blended employer past service cost rate" refers to the average past service cost rate of all PERS employers excluding the State of Alaska and School Districts.
- (3) "past service cost" refers to the annual lump sum payment made towards the PERS system unfunded liability.
- (4) "past service cost rate" means the annual payment as a percentage of total wage base of employee salary required to pay the past service cost as an amortized contribution in percentage of a stipulated number of years.
- (4) "unfunded liability" refers to amount that would need to be paid into the PERS system to cover all of its liabilities.

Sec. 2. Effective date of July 1, 2006