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Representative Mike Kelly House District 7

COMPARATIVE SUMMARY “Kelly Plan” v. Retirement Security Act

Key Component	“Kelly Plan” <i>(HB 170, HB 177, & HB 191)</i>	Retirement Security Act <i>(SB 141)</i>
<i>Pure Defined Contribution Plan?</i>	Yes (Pg. 2; Pp. 13-14) ¹	Yes (Pg. 13; Pg. 69)
<i>Employee Contribution Rates</i>	TRS (Pg. 2) ² 10% PERS (Pg. 13) Public Safety 8.5% Others 8%	TRS (Pg. 13) 8% PERS (Pg. 69) All 8%
<i>Employer Contribution Rates (Retirement/Non-medical)</i>	Employer contributions will eventually reach 8% for TRS and 8.75% for PERS over the course of a five year period in the following increments ³ : Year 1 – 0% Year 2 – 25% Year 3 – 50% Year 4 – 75% Year 5 – 100% (Pg. 3; Pp. 14-15)	Employer contributions are split between the member’s individual account and the retiree medical insurance. Individual Account – 3.5% Retiree Medical – 3.75% (Pg. 14; Pg. 70)

¹ HB 191

² HB 191

³ HB 191

Key Component	“Kelly Plan” (HB 170, HB 177, & HB 191)	Retirement Security Act (SB 141)
Vesting	100% at the time of enrollment (Pg 4; Pg. 15)	Graduated vesting in the following increments: Year 1 – 0% Year 2 – 25% Year 3 – 50% Year 4 – 75% Year 5 – 100% (Pg. 16; Pg. 72)
Medical Benefits (Health Reimbursement Arrangement & Retiree Major Medical Insurance)	*NOTE: This version of HB 191 does not contain this provision. We are completing a committee substitute that will incorporate this language. The new language in HB 191 will mirror SB 141.	<p>Yes. There are two components of the medical benefits provided in this bill depending upon the members’ status (active or retired).</p> <p><u>Health Reimbursement Arrangement</u> Established under AS 39.30.300, which creates a managed “trust” account, which is comprised of an employer contribution in the amount of 1% employees average annual compensation not to exceed \$500. (Pp. 47-48)</p> <p><u>Retiree Major Medical Insurance</u> As noted above, as part of the employer contribution to the individual retirement accounts, the employer will pay 3.75% to provide for an insurance benefit at the time of retirement. In order to access this benefit a member must meet one of several criteria. In summary, these are:</p> <ul style="list-style-type: none"> • The member must retire directly from the system; • In order to retire, the member must have 30 years of service to the system or be 65 and have at least 10 years of service with the system • The member has been an active member for the whole school year during the 12 months prior (<i>TRS only</i>) <p>(Pp. 24-27; Pp. 80-83)</p>

Key Component	“Kelly Plan” (HB 170, HB 177, & HB 191)	Retirement Security Act (SB 141)
Investment Flexibility	*NOTE: This version of HB 191 does not contain this provision. We are completing a committee substitute that will incorporate this language. The new language in HB 191 will mirror SB 141.	Yes. A member’s ability to select from a number of investment options is expressly provided for. (Pp. 16-17; Pp. 72-73)
Increased Active Employee Contribution Rates?	Yes ⁴ . Using language similar to that that sets annual employer contribution rates, HB 177 provides for an increase in employee contribution rates not to exceed 5% annually. The administrator would establish the contribution rate on the basis of what is necessary to “fund the system.” In addition, this bill stipulates that the employee and employer contribution rates will be coordinated in an effort to maintain parity between the two groups regardless of the actuarial valuation. (Pp. 2-4)	Likely yes. The language in this bill provides that the employee will pay a contribution rate whichever is the greater of their current contribution rate or one half of the “normal cost rate as actuarially calculated.” This will have the effect of creating a contribution “floor”. (Pg. 7; Pp. 58-59) <u>EXAMPLE</u> Current PERS Contribution Rates: Police/Fire – 7.5% Other – 6.75% Avg. Normal Cost Rate ⁵ - 20.05% New rate – 10.025%
PERS/TRS/ASPIB Board Restructuring	HB 170 proposes a modest restructuring of the PERS and TRS boards but leaves the Alaska State Pension Investment Board (ASPIB) board untouched. (Pp. 1-3) <u>HB 170 provides that:</u> <ul style="list-style-type: none"> • A majority of the members of the boards will not be or ever have been employed by an employer participating in any of the State’s retirement systems • Two of the public members of each board will have “private sector experience in administration, financing, accounting, or economic development.” 	The Retirement Security Act completely restructures all three existing boards, by eliminating them in their current incarnations and replacing them with a single board renamed the “Alaska Retirement Management Board” under the Department of Revenue. The board will consist of nine trustees in addition to the commissioners of Administration and Revenue. Further, it provides for specific members from political subdivisions, school districts, and system membership. (Pp. 36-41)

⁴ HB 177

⁵ PERS 2003 Actuarial Valuation Report, Pg. 22