

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
Relating to Public Employees' and Teachers' Defined Contribution Retirement Plans
Delinquent Employers

Resolution 2024-04

WHEREAS, the Alaska Retirement Management Board ("ARMB") was established under AS 37.10.210(a) to serve as trustee of the assets of the State's retirement systems; and

WHEREAS, under AS 39.35.007, the ARMB serves as the fiduciary of the funds for the Public Employees' Retirement System ("PERS"); and

WHEREAS, under AS 14.25.007, the ARMB serves as the fiduciary of the funds for the Teachers' Retirement System ("TRS"); and

WHEREAS, under AS 37.10.071(c), the ARMB is required to exercise its fiduciary duty in the sole financial best interest of the funds entrusted to it while treating all members with impartiality; and

WHEREAS, public employers utilizing PERS and TRS for employee retirement benefits must timely submit employer payroll contributions in order for the Alaska retirement systems to run efficiently and to maximize benefit returns to members; and

WHEREAS, the Division of Retirement and Benefits ("DRB") provides the ARMB on a quarterly basis a list of employers delinquent in payment of employer and employee payroll contributions; and

WHEREAS, under AS 39.35.255(a) and AS 14.25.070(a), both PERS and TRS employers are required to make all employer and employee contributions for members at rates prescribed by law; and

WHEREAS, under AS 39.35.750(a), PERS employers are required to contribute to the individual account of each member enrolled in the PERS Defined Contribution Retirement Plan ("DCR Plan") an amount equal to five percent of the member's compensation from July 1 to the following June 30; and

WHEREAS, under AS 14.25.350(a), TRS employers are required to contribute to the individual account of each member enrolled in the TRS DCR Plan an amount equal to seven percent of the member's compensation from July 1 to the following June 30; and

WHEREAS, under AS 39.35.610(a), AS 39.35.770(a), 14.25.065(a), AS 14.25.370(a), PERS and TRS employers are required to transmit all employer and employee contributions dedicated to members for all retirement plans no later than 15 days after the close of a pay period; and

WHEREAS, under AS 39.35.610(a) and AS 14.25.065(a), DRB is required to assess delinquent PERS and TRS employers with interest on outstanding contribution amounts at a rate of one and one-half (1 ½) times the most recent actuarially determined rate of earnings for the retirement plan from the date the contributions were originally due; and

WHEREAS, delinquent payment of payroll contributions by employers and subsequent failure to timely place those funds into financial markets leads to an inability for members to capitalize on those additional funds generating additional income critical for successful and secure retirement results; and

WHEREAS, delinquent payment of payroll contributions by employers is particularly harmful for members in the PERS and TRS DCR Plans who are more reliant on the generation of income resulting from the timely placement of all funds into their individual accounts than other public employee plan members; and

WHEREAS, under AS 39.35.770(b) and AS 14.25.370(b) interest shall be assessed on outstanding contributions and the amount claimed on those outstanding contributions shall be submitted to the administrator for deposit in the appropriate account or trusts.

NOW THEREFORE, BE IT RESOLVED BY THE ALASKA RETIREMENT MANAGEMENT BOARD, that

1. The deposit of interest claimed under AS 39.35.770(b) and AS 14.25.370(b) should be allocated to the account or trust where the original contribution was due.
2. The ARMB finds that delaying or failing to pay statutorily required employer and employee contributions to the accounts of all PERS and TRS members in a timely manner is akin to salary reductions for members.
3. The ARMB finds that delinquent payments by employers for retirement benefits is an unacceptable practice.
4. The ARMB, consistent with its fiduciary duty, will continue to monitor delinquent employers reported by DRB.
5. The ARMB is committed to the reduction of the number of delinquent employers that are late in making retirement benefit contributions.
6. The ARMB will execute this commitment by continued communications with DRB about the status of delinquent employers while sharing this resolution with key stakeholders in the Alaska retirement systems.

DATED at Anchorage, Alaska this 12th day of June, 2024.



Chair

ATTEST:



Secretary