

NOTICE OF PROPOSED CHANGES ON RETIREMENT PLANS
IN THE REGULATIONS OF THE DEPARTMENT OF ADMINISTRATION,
DIVISION OF RETIREMENT AND BENEFITS

The Division of Retirement and Benefits proposes to adopt regulation changes in Title 2 of the Alaska Administrative Code, repealing the Judicial Retirement System regulations adopted on October 29, 2021 consisting of 2 AAC 37.300-.320 as the regulations are no longer applicable and adopting 2 AAC 37.400-.420 to deal with the enrollment in and the use of a Self-Directed Brokerage (SDB) investment option by members of the Alaska Supplemental Annuity Plan and the Alaska Deferred Compensation Plan.

PLEASE TAKE NOTE: If these regulations are adopted:

Current Alaska Supplemental Annuity Plan (SBS) and Alaska Deferred Compensation Plan (DCP) participants must complete a SDB application to enroll in the SDB investment option.

Participants are required to comply with the program structure, limits, and maximums on the investments in this option. Participants must also acknowledge that use of the brokerage account is subject to the terms and conditions contained in the SDB account application and separately agreed to by the participant.

Specifically, regulations will be adopted to clarify enrollment and participation in the SDB investment option as of February 16, 2022 as follows:

2 AAC 37 is amended by adding a new section to read:

- 2 AAC 37.400 Self-Directed Brokerage Investments. The intended effect of the amendment is to provide a summary introduction to and an explanation of the enrollment process, as well as notifications of important points a potential enrollee should understand. The administrator may offer participants in the SBS and DCP a voluntary SDB investment option. The administrator may establish the structure, limits, and maximums on the investments as set forth by the Custodian. The SDB investment option is designed for investors who acknowledge and accept the risk of loss inherent in participation in the SDB investment option. Participants are required to sign an election form explaining the risks and affirming that they understand and accept the following:
 - Any and all risks of their SDB investments,
 - None of the investments available in the SDB have been reviewed for suitability or endorsed by the administrator,
 - They are solely responsible of any selected investment,
 - They hold the Plan and the Alaska Retirement Management Board harmless for any negative consequences from the use of the SDB option, and
 - That the SDB option does not result in a vested benefit in the corpus, gains or losses, and is not an accrued benefit under the Alaska State Constitution, Article 12, Section 7.
- 2 AAC 37.405 Self-Directed Brokerage Participation. The intended effect of the amendment is to outline the requirements for enrolling and participating in the SDB investment option. The SDB investment option account rules are as follows:

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- An SDB account is established by completing and submitting an SDB account application.
 - The SDB account is subject to the terms and conditions found in the SDB application, and the participants separately agree to those terms and conditions.
 - There is a specific amount or a percentage that must be maintained in their Plan Account.
 - Participants must provide a minimum initial transfer account and minimum subsequent transfers.
 - Direct transfers from the participants' payroll to the SDB account are prohibited.
 - For the purposes of AS 39.30.175 and AS 39.45.030, fund transfers, including fund transfers in a brokerage account, do not include any disposition of the funds after they are included in the account.
 - For valuation conversion purposes, transfers into the SDB account will occur at the time and the frequency set by the Custodian.
- 2 AAC 37.410 Tax Consequences. The participant is solely responsible for all tax consequences resulting from their participation in the SDB account.
 - 2 AAC 37.415 Valuation of Accounts. The intended effect of the amendment is to describe and explain how and when the Custodian will post the account value, how long the account information will be available, and that the Custodian is the final authority of the value of the account. The Custodian will:
 - Value investments each business day.
 - Allocate the proportionate share of increase or decrease in fair market value of each participant's account, in each investment, based on beginning balance each day.
 - Calculate accounts on a cash, share, or unit accounting basis.
 - Maintain valuation records for one year; thereafter, account information is available on a quarter-end basis.
 - 2 AAC 37.420 No Third-Party Trading/Investing. The intended effect of the amendment is to communicate that participants may not authorize any financial advisers or third-party to make any changes to their account or investments.

Due to the COVID-19 pandemic, no Public Hearing will be held. You may comment on the proposed regulation changes by submitting written comments to **Jim Puckett** at **P.O. Box 110203, 333 Willoughby Avenue, Juneau, Alaska 99811-0203**, or by email at **jim.puckett@alaska.gov**. You may also call **Jim Puckett** at **(907) 465-3226**. Comments may also be submitted through the **Alaska Online Public Notice System** by accessing this notice on the system and using the comment link. Comments must be received no later than **5:00p.m.** on **January 15, 2022**.

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If you are a person with a disability who needs a special accommodation to participate in this process, please contact **Jim Puckett** at **(907) 465-3226** no later than **Monday, December 27, 2021** to ensure any necessary accommodations can be provided.

A copy of the proposed regulation changes and of material to be adopted by reference is available on the **Alaska Online Public Notice System**, the Division of Retirement and Benefits website at **Alaska.gov/drb**, and by contacting **Jim Puckett** at **P.O. Box 110203, 333 Willoughby Avenue, Juneau, Alaska 99811-0203** or by email at **jim.puckett@alaska.gov**.

After the public comment period ends, the Division of Retirement and Benefits will either adopt the proposed regulation changes or other provisions dealing with the same subject, without further notice, or decide to take no action. The language of the final regulations may be different from that of the proposed regulations. You should comment during the time allowed if your interests could be affected.

Statutory Authority: AS 22.25.027; AS 39.30.154; AS 39.45.020

Statutes Being Implemented, Interpreted, or Made Specific: AS 39.30.175; AS 39.45.030

Fiscal Information: No increased appropriations are anticipated.

The Division of Retirement and Benefits (DRB) keeps a list of individuals and organizations interested in its regulations. Those on the list will automatically be sent a copy of all DRB notices of proposed regulation changes. To be added to or removed from the list, send a request to the DRB at **doa.drb@alaska.gov**, giving your name and either your email address or mailing address, as you prefer, for receiving notices.

Date: December 16, 2021



Jim Puckett, Deputy Director/Chief Pension Officer