

Federal Tax Treatment for Same-Sex Marriages

On June 26, 2013, the United States Supreme Court, in a case captioned *U.S. v. Windsor* (*Windsor*), ruled that section 3 of the Defense of Marriage Act (DOMA), which provided that only persons of the opposite sex could be recognized as “spouses” and “married” for purposes of federal law, was unconstitutional. The Internal Revenue Service (IRS) issued Revenue Ruling 2013-17 on August 29, 2013, providing guidance as to how the IRS will treat same-sex married couples under the Internal Revenue Code post *Windsor*.

In accordance with *Windsor* and Revenue Ruling 2013-17, for **federal tax law purposes only**, the IRS will recognize a marriage between same-sex individuals that was validly entered into in a state whose laws authorize the marriage of two individuals of the same sex *regardless* of whether or not those married individuals currently reside in a state that recognizes same-sex marriage. However, the IRS will **NOT** consider individuals who have entered into a registered domestic partnership, civil union, or similar arrangements as married for federal tax law purposes.

The *Windsor* decision and Revenue Ruling 2013-17 impact employee and retiree benefit plans. For example, prior to the *Windsor* decision, DOMA effectively required that benefits provided to a same-sex spouse were generally subject to federal income tax and that same-sex spouses were not considered qualified beneficiaries under COBRA, and thus could not be afforded COBRA continuation coverage when the participant terminated employment, divorced, or entered into a legal separation. Under *Windsor* and Revenue Ruling 2013-17, these and approximately 1,300 other federal laws governing employer-sponsored retirement and health and welfare benefits plans were affected.

In order to ensure the State of Alaska, Department of Administration, Division of Retirement and Benefits (Division) is appropriately applying the correct federal tax treatment

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Report from the Field Meet Stan Love



Stan Love has been a valuable member of the Division of Retirement and Benefits for the past two years. For his first post with the Division, he assisted members for one year and nine months in the Member Services Contact Center. He became a Regional Counselor in June of this year. Stan views his time in the Member Services Contact Center as a highly valuable experience because, as a Regional Counselor, he needs to have comprehensive knowledge of how all members' retirement

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PERS Performance in Fiscal Year 2013

The Division of Retirement and Benefits (Division) prepares a Comprehensive Annual Financial Report (CAFR), which is available online at Alaska.gov/drb/pers/Employee/Resources/cafr.html. The Public Employees' Retirement System (PERS) CAFR provides comprehensive financial, investment, actuarial, and statistical data.

The Division also posts the results of the annual actuarial valuation online at Alaska.gov/drb/pers/Employee/Resources/ActuarialValuationReports.html. This report contains the funding status of the PERS as well as the data, assumptions, and methods used to develop contribution rate recommendations. As of June 30, 2012, the date of the latest actuarial valuation, the Defined Benefit Unfunded Accrued Liability was \$7,460,331,000.

A summary of the PERS Financial Statements, as of June 30, 2013, is reported below.

Summary of Fiscal Year (FY) 2013

- There were 159 PERS employers.
- Based on the June 30, 2012, actuarial valuation, there were 22,730 PERS Defined Benefit employees. There were 14,637 PERS Defined Contribution employees as of June 30, 2013.
- \$82.9 million in interest was credited to PERS employees' accounts.
- PERS employers paid 22% of each employee's gross salary in addition to the contributions paid by the covered employees. The State paid an extra 13.84% to meet the actuarially determined contribution rate of 35.84%.
- Based on the June 30, 2012, actuarial valuation, there were 28,540 people who received monthly PERS pension benefits, an increase of 4.3% over the prior year. PERS retirees and beneficiaries received an average annual pension benefit of \$20,999.

Changes in PERS Assets During Fiscal Year 2013

	Defined Benefit	Defined Contribution
Net Assets on June 30, 2012	\$11,290,110,000	\$345,839,000
Prior Year Adjustments		9,166,000
Additions		
Employer Contributions	\$409,966,000	\$57,544,000
Plan Member Contributions	111,443,000	53,851,000
State of Alaska Contributions	307,302,000	—
Net Investment Income	1,390,774,000	54,541,000
Other	10,464,000	4,000
Total Additions	\$2,229,949,000	\$165,940,000
Deductions		
Pension Benefits Paid	\$599,318,000	\$97,000
Healthcare Benefits Paid	370,314,000	—
Refunds to Members	10,929,000	12,872,000
Administrative Expenses	15,445,000	1,898,000
Total Deductions	\$996,006,000	\$14,867,000
Net Assets on June 30, 2013	\$12,524,053,000	\$487,746,000

Statement of PERS Assets as of June 30, 2013

Assets		
Short-Term Investments	\$177,116,000	\$10,042,000
Great-West Account		7,828,000
Other Receivables	38,672,000	8,679,000
Investments, at Fair Value	12,374,509,000	475,546,000
Other Assets	3,401,000	—
Total Assets	\$12,593,698,000	\$501,095,000
Liabilities		
Accrued Expenses and Other Liabilities	69,645,000	13,349,000
Total Liabilities	\$69,645,000	\$13,349,000
Net Assets on June 30, 2013	\$12,524,053,000	\$487,746,000

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Report from the Field: Meet Stan Love

plans work and how everything—from retirement to claims—is processed. Stan said, “The Member Services Contact Center is a cram course on steroids for what the Division does.”

Born in Seattle, Washington, Stan moved to Alaska with his parents when he was 13 years old. He is an alumnus of Juneau-Douglas High School. After high school, Stan completed a Bachelor of Science Degree with a Major in Aviation Science and Technology at Moody Bible Institute in Chicago, Illinois, and was certified as an aircraft mechanic and commercial flight instructor. He then became a commercial and corporate pilot based in Petersburg and Juneau. He proceeded to set up an FAA-approved flight school at Sheldon Jackson College in Sitka. He has flown visually or by instruments in almost all of the United States, save New York and the New England states. Later, Stan shifted gears and started a Chrysler Dodge dealership in Juneau. After selling his dealership, he studied for and received a Master of Divinity in Portland, Oregon. He pastored a church in Hood River, Oregon, for the next 13 years. Stan and his wife returned to Juneau in 2009, where he worked at his old Chrysler Dodge dealership before joining the Division of Retirement and Benefits in 2011. When he is not helping members navigate to or through retirement, Stan enjoys going on walks with his wife, bicycling, travelling, and working on his computer.

As a Regional Counselor, Stan works with fellow Regional Counselor Natalia Golovatiuk to serve Fairbanks, Glenallen, Valdez, and communities in the Railbelt. He traveled to these communities in late October and during November. Stan finds, as he meets with and counsels members, the skill that is most valuable is active listening. To Stan, there is nothing worse than answering the wrong question for a member. He also finds it valuable to pay attention



to details and to adopt a focus on customer service so as to be accurate and helpful when addressing the needs of members.

One of the things Stan finds interesting in his role is the uniqueness of each member's situation, circumstances, and personality. In regards to planning for retirement, Stan advises members to “stick with it” and to try—as long as other callings do not come along—to make public service their long-term career. He believes longevity brings retirement success. According to Stan, “Most of the people that have lots of money saved in their retirement accounts have 25 to 30 years of service in the public sector.”

Coupled with the satisfaction he derives from working with his excellent teammates, Stan's enjoyment of providing customer service and traveling for work makes his position with the Division a “marriage made in heaven.” Ultimately, it is our members who motivate Stan. He remarked, “We are the Division of Retirement and Benefits; we are here because of our members.” 🐦

Retiree Benefit Mailing Dates

Retiree benefits will be mailed on the following dates in 2014:

- January 24
- February 25
- March 25
- April 25
- May 23
- June 25
- July 25
- August 25
- September 25
- October 24
- November 25
- December 23

The mailing date is also the date that funds are available from your financial institution. If you would like to have your benefit directly deposited, complete the Electronic Direct Deposit Authorization for Retirees form and return it to the Alaska Division of Retirement and Benefits. You can find the form at Alaska.gov/drb/checkDates/.

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State Office Building
333 Willoughby Avenue
6th Floor
P.O. Box 110203
Juneau, AK 99811-0203

Jim Puckett
Director and Administrator

Aaron Ferguson
Editor

Member Services

Contact Center

10 a.m. to 3:30 p.m.

(907) 465-4460

(800) 821-2251

TDD: (907) 465-2805

Fax: (907) 465-3086

doa.drb.mscc@alaska.gov

Alaska.gov/drb

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Note: The Division of Retirement and Benefits is unable to unsubscribe members from our mailing list at this time. The Division has a fiduciary duty to provide both its active and retired members with information regarding their health and retirement benefits, including—but not limited to—benefit education, plan enrollment, and any changes in the plans. While we acknowledge that it can be frustrating to receive a high volume of communication from the Division, it is necessary to keep our members up to date on current information and educational opportunities concerning their health and retirement benefits. We apologize for any inconvenience this may cause you.

State of Alaska Division of Retirement and Benefits
P.O. Box 110203
Juneau, AK 99811-0203

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to your benefits, it is necessary for the Division to obtain same-sex marriage information from affected participants. Notices requesting enrollment of married

spouses were sent to all affected members and employees in late October, 2013. **Enrollment of a same-sex spouse is the responsibility of the member.** 🐦



Stay up to date on upcoming seminars, events, and tips for your retirement.

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