

ALASKA STATE LEGISLATURE

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Sponsor Statement

SB 200 – TRS Employer Contribution Rate; Supplemental Employee Benefits

Sponsor Substitute version S 2.23.24

Alaska is facing an acute labor shortage, with roughly two open positions for every job seeker. Vacancies persist across all sectors of the government, with departmental openings ranging from 9.7 to 26.9 percent. Many factors contribute to the recruitment and retention difficulties. This legislation will bolster the existing state-backed retirement systems through two avenues: an increase in the employer contribution rate in the Teachers' Retirement System (TRS) and a requirement that new employees be offered a supplemental annuity plan.

Alaska teachers participate in the Teachers' Retirement System, or TRS. For employees hired after June 2006, this retirement plan is funded via an employee contribution of eight percent and an employer contribution of seven percent of gross salary. This legislation would increase the employer contribution by two percent, for a total of nine percent of an employee's gross salary. The required employer contribution would likewise rise two percent to 14.56 percent.

SB 200 would also require employers to offer a supplemental annuity plan to all new employees. This aspect of a retirement system is essentially a defined contribution savings account to augment the retirement savings provided by the TRS and Public Employees' Retirement System (PERS).

Two supplemental annuity plans are available to employees, depending on their employer: traditional Social Security and the Alaska Supplemental Annuity Plan (SBS-AP). When PERS was instituted in 1961, all employees participated in Social Security. In 1980, the State of Alaska withdrew from Social Security, established the SBS-AP system, and migrated all state employees to SBS-AP. Some other PERS employers moved to SBS as well, some remained in Social Security, and some withdrew from Social Security but did not replace that safety net with any other savings. Currently, over 5,000 Alaskans are enrolled in the PERS defined contribution plan and are employed by 52 local governments, school districts, and housing authorities, but not covered by either Social Security or SBS-AP. The same is true of all TRS employees. This can result in disparate retirement incomes. Participation in either of these plans provides employees with a second stream of retirement income and ensures a reasonable replacement salary in retirement, on par with the defined benefit plans of the past.

SB 200 recognizes the recruitment and retention difficulties hindering Alaska, and offers a measured approach to address these issues.

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