



SENATOR DENNIS EGAN

SB 121 – Alaska Pensions

Sponsor Statement

SB 121 lets teachers, Troopers, firefighters and other public employees choose one of two state retirement systems: an individual defined contribution retirement account, or earning a defined benefit pension.

A defined benefit pension takes time to earn, but rewards a record of public service by paying a guaranteed monthly benefit and, for long-term employees, health insurance. An individual defined contribution account is portable from one employer to another, and flexible in how it can be used, but makes no guarantees. SB 121 will let newly hired public servants in Alaska choose the one that fits best.

SB 121 creates a new more stable, more predictable defined benefit pension tier for teachers and public employees. A few years ago, Alaska beefed up oversight of the pension system. Now we have two actuaries analyzing the health of the pension trusts, there are more frequent experience studies and the law bars the practice of sometimes paying less than the cost of benefits. SB 121 keeps these smart reforms, making Alaska pensions stronger than ever.

And the defined benefit pensions for new employees under SB 121 will cost employers less than the pension tiers that came before, saving money for schools, cities, and the State of Alaska.

Alaska teachers and public employees don't earn Social Security, and many even lose Social Security benefits they earned in past jobs. So for most, a defined benefit pension makes sense. Other employees will choose individual defined contribution accounts because they prefer flexibility, portability, and control, or because their plans do not include long-term service in the public sector. SB 121 maintains their option to choose an individual account.

The teachers who educate our children, the police and firefighters who protect our families, and the public employees who serve our state and cities will be able to choose the benefit that best fits their service.