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Senator Lesil McGuire

SB 83 SPONSOR STATEMENT

"An Act relating to the Protective Occupation Retirement Council; relating to participation of certain employees in the defined benefit and defined contribution plans of the public employees' retirement system; and providing for an effective date."

In 2005, Alaska moved away from a defined benefit (DB) to a defined contribution (DC) retirement system for public employees hired after July 1st, 2006. Both the DB and DC plans contain risks and benefits to employees and employers. With a DB plan comes the advantage of professional money management, lower fees, pooled risk and long term investment strategies. However, employers carry significant risk if investment returns fall short or actuarial predictions prove inaccurate, which they are shielded from in a DC plan. Taking both of these points of view into account, the Variable Benefit Retirement System (VBRS) was developed.

The goal of the VBRS is to fund a retirement system for public safety employees through employee and employer contributions that will provide for self-sufficient retirees and protect employers and taxpayers from the liability suffered in the event of plan shortfalls. It affords public safety employees the distinct advantages and efficiencies of a DB plan by guaranteeing a benefit level and medical stipend, and affords employers the fiscal discipline and control of a DC plan by maintaining a fixed 22% employer contribution and adjusting benefit levels to address any changes in the size of the fund. Other features of the plan include:

- The ability to adjust COLA, minimum retirement ages, adjustable medical stipend and adjustable employees contribution rates to deal with shortfalls and maintain a healthy fund
- Protection against overtime-spiking
- Lower assumed growth rate (7%) to provide cushion against shortfalls

Alaska's public safety employees are faced with extremely taxing careers. Longevity is not assured and must be factored into any plan design created for public safety organizations. The VBRS represents not only a compromise between employees and employers, but presents those who risk their lives to protect our state with a better opportunity to achieve security and self-sufficiency in retirement.