



Representative Sam Kito

Alaska State Legislature

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House Rules

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Sponsor Statement

House Bill 83

“An Act relating to new defined benefit tiers in the public employees' retirement system and the teachers' retirement system; providing certain employees an opportunity to choose between the defined benefit and defined contribution plans of the public employees' retirement system and the teachers' retirement system; and providing for an effective date.”

House Bill 83 lets teachers, Troopers, firefighters and other public employees choose one of two state retirement systems: today's defined contribution retirement account, or earning a new defined benefit pension. And it saves the state money in the process.

A defined benefit pension takes time to earn, but rewards 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.

HB 83 lets newly hired public servants in Alaska choose the one that fits best. HB 83 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 to head off any new surprises. HB 83 keeps these smart reforms, making Alaska pensions stronger than ever.

And because the defined benefit pensions for new employees include sharing the risk of rising health costs, they will never cost employers more than the defined contribution system, saving money for schools, cities, and the State of Alaska. Fiscal notes prepared for prior versions of this bill show it save the state roughly \$70 million in the first 10 years.

Alaska teachers and public employees don't earn the private sector's defined benefit of 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. HB 83 lets them 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.

Thank you for your support of House Bill 83.