

ALASKA STATE LEGISLATURE

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REPRESENTATIVE ANDY JOSEPHSON

Sponsor Statement for House Bill 22

HB 22 creates a new hybrid retirement plan option for state and municipal peace officers and firefighters under the Alaska Public Employees' Retirement System (PERS) with new protections for the state against unforeseen future liabilities.

Alaska ended the Defined Benefit Plan in 2006 after discovering that the accounts were too underfunded to meet anticipated retiree obligations. Since these plans were eliminated, one of Alaska's greatest public safety challenges has become employee retention and recruitment. Alaska is one of the few jurisdictions that does not presently offer a defined benefit retirement for new public safety employees. Additionally, many municipal public employees do not participate in Social Security or the Supplemental Annuity Plan (SBS-AP). HB 22 is crafted to retain and attract quality peace officers and firefighters while protecting the state from unnecessary financial risks in the future.

The proposed option would allow future peace officers and firefighters under the PERS system and current ones under the PERS Tier IV plan to join the defined benefit plan. The proposal includes several safeguards modeled after the most fiscally responsible plans in the nation. These safeguards provide stability and would provide the state with fiscal certainty about its ability to maintain adequate funding for this plan into the future. These provisions include a minimum retirement age of 55 with 20 years of service, flexibility setting employee contribution rates, minimum 12 percent employer contribution rates, mechanisms to prevent costly "pension spiking," and the ability to withhold post-pension retirement adjustments should the plan's funding drop below 90 percent. This hybrid tier will closely mirror Tier III of PERS for public safety employees, with the exception of two cost saving measures: the continued inclusion of the Tier IV Defined Contribution Retirement health reimbursement arrangement (HRA) and the absence of cost-of-living adjustments.

HB 22 is a step toward making Alaska more attractive to public safety employees. The nature of the jobs that peace officers and firefighters hold are unique, physically demanding, and hazardous compared to other public employees, and all Alaskans pay the cost for understaffed public safety agencies.

January-May: State Capitol, Juneau, Alaska 99801 • (907) 465-4939 • (800) 465-4939

June-December: 1500 W Benson Blvd, Room 312, Anchorage, Alaska 99503 • (907) 269-0265

Rep.Andy.Josephson@akleg.gov