

ALASKA STATE LEGISLATURE

SESSION

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SENATOR BERT K. STEDMAN *CO-CHAIRMAN, SENATE FINANCE COMMITTEE*

Sponsor Statement

Senate Bill 55

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 8.0 to 29.7 percent as of December 2024. 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 employees be enrolled in 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.

Senate Bill 55 would also require employers to offer a supplemental annuity plan to 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 PERS 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. TRS plan members do not participate in either Social Security or SBS-AP.

Currently, over 5,000 Alaskans are enrolled in the PERS/TRS defined contribution plans and are employed by 52 local governments, school districts, and housing authorities, but not covered by either Social Security or SBS-AP. This can result in disparate retirement incomes. Failure to participate in Social Security or SBS-AP removes the foundation of the retirement structure.

Senate Bill 55 recognizes the recruitment and retention difficulties hindering Alaska and offers a measured approach to address these issues.

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