

Senate Finance Committee

Alaska State Legislature

Re: HB 78 – Employer Rate Increase Amendment

Members of the Committee,

I am writing to address the proposed amendment to HB 78 that would increase the employer contribution rate from 22 percent to 24 percent.

This amendment should be understood for what it is.

Municipalities entered into PERS with a clear expectation. In exchange for a significant and ongoing employer/employee contribution, the system would provide a meaningful retirement benefit that supports communities across Alaska. Today, under Alaska Statute 39.35.255, cities are already paying 22 percent of payroll into that system.

At the same time, Tier IV employees are in a retirement structure that provides significantly less certainty and less value than prior tiers. That gap is not theoretical. It shows up every day in hiring challenges, retention issues, and the growing reliance on overtime to keep departments staffed.

HB 78 attempts to address that problem. It does not do so recklessly. The bill already includes multiple built-in levers designed to protect the State and manage long-term costs. Those guardrails are part of the proposal.

Against that backdrop, increasing the employer rate to 24 percent is not a measured fiscal adjustment. It is a move that undercuts the bill itself.

It places municipalities in a position where they are asked to contribute more to a system they hoped would provide retirement security in the first place. It makes it harder, not easier, for local governments to support the kind of reform HB 78 is trying to achieve.

More directly, it creates an incentive for municipalities to oppose the bill altogether.

That is why this amendment raises concern beyond its fiscal impact. It does not read as an effort to responsibly manage costs. It reads as an attempt to put pressure on the bill by shifting additional burden onto cities, knowing that doing so will generate opposition.

Public safety agencies are already operating under strain. Call volumes are up. Staffing is tight. Overtime is carrying a larger share of the workload. The people doing this work are

already absorbing the consequences of a system that has not kept pace with those realities.

Using an employer rate increase in this context is not a neutral policy choice. It is a decision that affects whether departments can hire, retain, and support the people they rely on.

If the Legislature is serious about improving the system, then the focus should remain on solutions that strengthen it. Adding cost in a way that discourages participation and support moves in the opposite direction.

This amendment does not advance fiscal responsibility. It creates friction where alignment is needed. It risks turning a needed policy discussion into a political one, with real impacts on the workforce and the communities they serve.

I would urge the Committee to reject this amendment and keep the focus on making the system work as intended.

Respectfully,

Justin Mack
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Senate Finance Committee

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Re: HB 78 – Overtime Exclusion Amendment

Members of the Committee,

I am writing to express strong concern with the proposed amendment to HB78 that would exclude overtime compensation from retirement benefit calculations under PERS.

Alaska already has a clear and structured approach to employer contributions. Under Alaska Statute 39.35.255, employers are required to contribute 22 percent of payroll into the system. That contribution applies to overtime just as it does to regular wages. Additionally, employees are required to contribute 8 percent of their wages to PERS, including wages earned during overtime shifts.

The amendment creates a basic inconsistency that needs to be addressed directly.

If overtime is not going to count toward an employee's retirement, why are employers still required to pay 22 percent, and employees still required to pay 8 percent on that same compensation?

Right now, every overtime shift carries a full retirement contribution cost. Cities and employees will continue to pay that cost. But under this amendment, the employee will receive no retirement value from that portion of their earnings. That is not a technical adjustment. It is a policy choice to collect retirement contributions on wages that no longer count toward retirement.

In public safety, overtime is not an outlier. It is built into how departments function. Firefighters and EMS personnel work overtime to meet minimum staffing levels, respond to rising call volumes, and fill unfilled positions. These are not discretionary hours. They are operationally necessary.

This amendment sends a clear message. It says that the work performed during those hours is essential enough to require it, expensive enough to tax it at 22 percent on the employer and 8 percent on the employee, but not valuable enough to count toward the employee's retirement.

That is a difficult position to justify.

It also raises a broader concern about how public safety work is being valued. When employees are required to work these hours to keep the system running, but the compensation tied to those hours is selectively stripped of long-term value, it reflects a policy direction that discounts the reality of the job.

If the Legislature believes overtime should not be included in retirement calculations, then the contribution structure should reflect that decision. Otherwise, the system is simply collecting additional contributions without providing corresponding benefits.

At a minimum, contributions and benefits should be aligned. Anything less creates a system that is harder to defend, harder to explain, and harder to trust.

I respectfully urge the Committee to reject this amendment.

Respectfully,

Justin Mack
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