

## Liz Harpold

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**From:** Nils Andreassen <nils@akml.org>  
**Sent:** Monday, April 20, 2026 2:55 PM  
**To:** Sen. Lyman Hoffman; Sen. Bert Stedman; Sen. Donny Olson; Sen. Jesse Kiehl; Sen. Kelly Merrick; Sen. Mike Cronk; Sen. James Kaufman  
**Cc:** Pete Ecklund; Rose Foley; Liz Harpold; Rep. Chuck Kopp; Julia OConnor; Kaitlyn Conway; Heather Brakes  
**Subject:** HB 78 amendments

Dear Senate Finance Committee members,

In advance of Friday's hearing on HB 78, we would like to provide an advance, annotated version of our testimony, which includes some potential amendments or considerations that we hope will result in continued improvements to this legislation.

If you haven't heard as much from AML members as you think you should, it is because of the complex history of PERS. We have members who are deeply opposed to a return to defined benefit, and who have little trust for this State-administered system. We have others who are deeply committed to a return, who view this as another tool to address their own recruitment and retention issues. And then there are others who are simply stuck, who really can't afford to stay in and who can't afford to get out, who are entirely at the mercy of the system.

I understand the math. A return to DB costs more. And you would like to share that cost with others. I get it.

I want to briefly unpack what increasing the non-state employer cap from 22% to 24% means. Here are a variety of answers I got from different types of employers, when we reached out asking for feedback.

- As a housing authority, we don't have access to a tax base. This legislation means we will fire three people.
- As a local government that provides robust health insurance benefits, we will likely have to reduce these to make up the difference.
- As an REAA, this will come out of state aid and the BSA, meaning we have less for students or maintenance.

I heard from some that they aren't unsupportive of the concept, that it makes sense they share some of the cost burden associated with the return. Others remained strongly opposed to being forced into a system where they don't have a vote.

The only way to take into account the condition of employers is to give them choice. That's a principle of AML, anyways, the autonomy of decision making. We would ask this committee to consider an amendment that allows for non-state employers to opt-in or out, prior to it becoming an employee choice. This creates a system where those employers who believe in defined benefit as an effective tool can use it, and bear the cost, and those don't or can't afford to, won't be made to.

For as much as 22% was a somewhat arbitrary number – one which felt fair to those negotiating it back in 2007, and avoided litigation – 24% as a fixed number feels just as forced. Why isn't it just the actual increase in normal cost from current to new? Why wouldn't it be able to decrease depending on the system's actual normal cost? This is a sensible amendment – let the ARM Board decide what that actual normal cost difference between the new system and old is, with 24% as the cap to give some certainty, but floating otherwise to be accurate. That gives everyone confidence in a well-managed system.

I would remark on just a few other things:

- There will remain Tiers 1, 2, and 3 – previous forms of DB that have their own costs and not new ones. Why would 24% be applied to them, when they aren't increasing costs? The 22% cap should be kept in place for them for previous tiers.
- What about the continuation of a Defined Contribution plan, since that doesn't come with additional State funds at all? Why would 24% be applied to them? The 22% cap should be kept in place for DC employees.

I do think that means separate accounting not just for employers, but for employees as well. The ARM Board and its actuaries should be able to present an actuarial rate for each group, with cap applied, to sufficiently manage for this. If all I have are DC employees, why would I pay as if I had DB? Since employees have a choice, it removes some of the concerns the Legislature has previously been worried about, as if employers would hire one type over another.

Finally, the most effective way to manage costs of this new plan is for the ARM Board to provide reasonable, conservative assumptions for returns, payroll growth, and inflation. Aggressively managing for a fully funded pension plan is perhaps one of the best ways to learn from our history. We would ask, too, that if non-state employers are going to share more of the cost burden, you allow us to help more in the system's governance by adding a seat to the ARM Board.

Ultimately, non-State employers are not in charge of establishing this legislation, not in charge of PERS/TRS implementation, not in charge of pension management, not in charge of legislative appropriations. The very little control we have in all of this is stark. It seems like the least we could do is have some choice to return to DB or not, and pay more, or not.

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