

House Bill 22

"An Act relating to participation of certain peace officers and firefighters in the defined benefit and defined contribution plans of the Public Employees' Retirement System of Alaska; relating to eligibility of peace officers and firefighters for medical, disability, and death benefits; relating to liability of the Public Employees' Retirement System of Alaska; and providing for an effective date."



- Sponsor: Representative Andy Josephson
- Staff: Alexander Schroeder

Sections of Note in HB 22

Section 14:

- Allows employee contribution rate to be increased from 8% to 10% if needed.

Section 18:

- Sets employer contribution at 22%- 12% to employee and 10% remaining to unfunded liability.

Section 21:

- Establishes age of retirement at 55 years with 20 years of service or 60 years with 5 years of service.

Section 25:

- Allows for the post retirement pension adjustment to be withheld in the plan if unfunded liability on the new tier is greater than 10%.

Section 29:

- New section outlines medical benefit eligibility for the new tier.

Section 30:

- Outlines the “high five” rule for the new tier.

Sections 35 and 36:

- Uncodified sections that outline process for current employees to buy in to the new tier.

Public Safety Pension Fix

HB 247 in 28th
Legislature
Rep. Holmes



HB 113 in 29th
Legislature
Sponsor: Rep. Millett



HB 395 in 30th
Legislature
Sponsor: Rep. Millett



HB 79 in 31st
Legislature
Sponsor: Rep. Kopp



HB 55 in 32nd
Legislature
Sponsor: Rep.
Josephson



HB 22 in 33rd
Legislature
Sponsor: Rep.
Josephson

Details of Tier IV

401(a) is made up of 13% of payroll: Employee=8%, Employer=5%

HRA = 3% of average PERS salary

Medicare coverage with 25 years of service for Public Safety

Disability similar to Tier III

Most municipal employees not covered by Social Security or SBS

Comparison of Existing Tiers

	PERS Tier III Public Safety	PERS Tier IV Public Safety	HB 22 Hybrid	Section of Bill
Employee Contribution	7.5%	8%	8% base may be raised to 10% by ARM Board	Section 14
Employer Contribution	22%	22%	22% (12% to employee 10% to unfunded liability)	Section 18
Vesting	5 years	5 years	5 years	AS 39.35.680(42)
Years of Qualified Service	Any age with 20 years of service	None specified	55 years old with 20 years of service, or 60 years old with at least 5 years of service	Section 21
Benefit Calculation Formula	2% for first 10 years 2.5%/ year thereafter	N/A	2% for first 10 years 2.5%/ year thereafter	AS39.35.370(c)
Final Average Salary	High 3	N/A	High 5	Section 30
Cost of Living Adjustment (COLA)	\$50 or 10% of the base benefit— whichever is greater	None	None	N/A
Post-Retirement Pension Adjustment (PRPA)	Automatic PRPA adjustments to disabled members, retirees aged 60+, and those who have received benefits for 5 years	None	PRPA may be withheld if funding is less than 90%	Section 25
Retirement Medical Coverage	Provided after 25 years at any age, or age 60 with 10 years	HRA—3% average PERS salary	HRA—3% average PERS salary	Sections 27- 29
Disability Benefits	Non-occupational calculated as normal retirement. Occupational is 40% of gross monthly compensation	40% of gross monthly compensation, must be permanent and total	Same as Tier III Public Safety	AS 39.35.400 and AS 39.35.410

Retention Issues with Tier IV

Police union urges city action amid dwindling number of officers

City leaders acknowledge challenges, seek solutions.

OPINION: First responder retirement reforms will help Alaska retain talent, save money

By Sara Rasmussen and Matt Claman

Updated: May 12, 2022

Published: May 12, 2022

With Alaska struggling to hire, state legislators consider revived pension plans for public employees

By James Brooks

Updated: April 3, 2022

Published: April 3, 2022

Issues with Tier IV Retirement

Recruitment difficulties

Retention costs

Workers' compensation costs


Operational capabilities

Unforeseen costs



Inadequacies of Tier IV

William Fornia of Pension Trust Advisors says Tier 4 will replace 31% of income after 25 years.



DOA estimated 38.5% income replacement-Used a fixed time frame of 30 years.



Bob Mitchell, the CIO of the State of Alaska put the probability of a 25-year Public Safety employee replacing 70% of income for 30 years at 6% and a 30-year employee at 22%.

Who Does HB 22 Affect?

Tier IV Employees

Peace Officers and Fire Fighters: 2,358

~~All Others: 22,129~~

Cost Containment Measures in HB 22

Reduces
benefits
significantly
from Tier III

Plan built on
more
conservative
assumptions
with
reasonable
costs

Requires a
steady level
of
contributions
from both
employee
and employer

Includes
mechanisms
for dealing
with adverse
experience

Shares risk
between
employees,
employers,
and retirees

Benefit Reductions in Tier V



No pre-Medicare
coverage



Elimination of the
10% COLA on
pensions



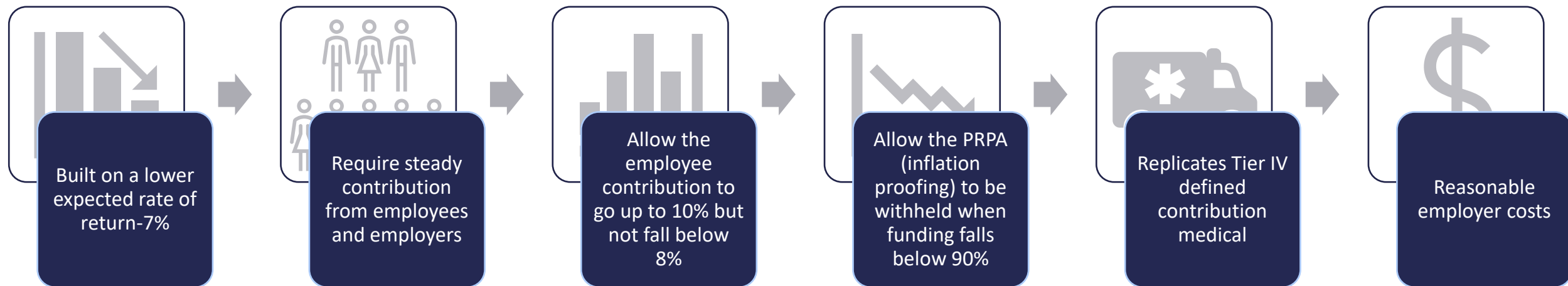
Final calculation
based on 5 years as
opposed to 3 years



Requires a minimum
age of 55 with 20
years of service to
collect benefits



Best Practices





Questions?