

SB 200

TRS Employer Contribution Rate; Supplemental Employee Benefits

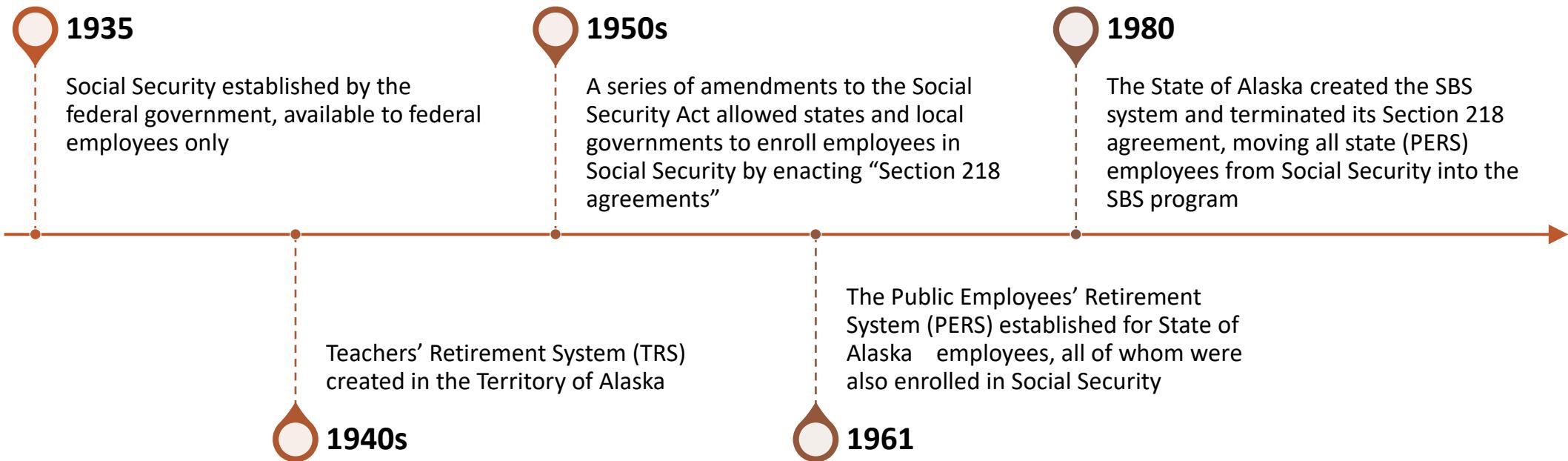
SENATE LABOR AND COMMERCE COMMITTEE

MARCH 18, 2024

Teachers' Retirement System (TRS) Basics

- The Teachers' Retirement System (TRS) was the first Alaska retirement system, developed by the Territory of Alaska in the 1940s to encourage teachers to live and work in Alaska
- Tiers I and II are defined benefit plans that closed to new employees 6/30/2006
- Tier III is a defined contribution plan, and is the plan offered to employees hired after 6/30/2006
- TRS employees are in neither SBS nor Social Security

History of Social Security in Alaska



Employee Retirement Savings Comparison: PERS v. TRS

PERS TIER IV

Employee Contribution:	8%
Employer Contribution:	5%
SBS Employee Contribution:	6.12%
<u>SBS Employer Contribution:</u>	<u>6.12%</u>
Total Retirement Savings:	25.24%

TRS TIER III

Employee Contribution:	8%
Employer Contribution:	7%
SBS Employee Contribution:	--
<u>SBS Employer Contribution:</u>	<u>--</u>
Total Retirement Savings:	15.0%

PERS employees who participate in the SBS system are automatically saving *over 10% more* of their salary than TRS and non-SBS PERS employees

How can we improve retirement for Alaska's teachers and other non-state PERS employees?

33-LS1023IS

SPONSOR SUBSTITUTE FOR SENATE BILL NO. 200

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-THIRD LEGISLATURE - SECOND SESSION

BY SENATORS STEDMAN, Hoffman

Introduced: 2/15/24

Referred: Labor and Commerce, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to employer contributions in the teachers' retirement system; relating
2 to supplemental employee benefits; and providing for an effective date."

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

4 * Section 1. AS 14.25.070(a) is amended to read:

5 (a) Each employer shall contribute to the system every payroll period an
6 amount calculated by applying a rate of 14.56 [12.56] percent to the total of all base
7 salaries paid by the employer to active members of the system and to members who
8 are retired from the plan and reemployed under AS 14.20.136, including any
9 adjustments to contributions required by AS 14.25.173(a).

10 * Sec. 2. AS 14.25.350(a) is amended to read:

11 (a) An employer shall contribute to each member's individual account an
12 amount equal to nine [SEVEN] percent of the member's compensation from July 1 to
13 the following June 30.

14 * Sec. 3. AS 39.30.170 is repealed and reenacted to read:

SB0200B

New Text Underlined (DELETED TEXT BRACKETED)

SSSB 200

SB 200 Key Provisions

GOAL: Equalize retirement savings between State employees and non-state PERS and TRS employees

Increase the TRS Employer Contribution Rate

- Raises the employer contribution rate by 2%, from 7% to 9% of gross salary
- Increases the cap on employer contributions from 12.56% to 14.56% to account for the increased contribution

Require PERS and TRS Employers Provide a Supplemental Annuity Plan

- Requires participation in either SBS or Social Security
- Opens the SBS statute to allow TRS employers to participate in the program alongside PERS employers

Full Implementation of SB 200

FOR ILLUSTRATIVE PURPOSES ONLY

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SBS Employee Contribution:	6.12%
<u>SBS Employer Contribution:</u>	<u>6.12%</u>
Total Retirement Savings:	27.24%

If both the employer contribution and SBS participation were enacted, a TRS Tier III employee would be saving more for retirement than a PERS Tier IV employee – *this is not the intent.*

SB 200 provides options to improve retirement savings equity

Participation in SBS

- Could provide total additional savings of 12.24%
- Contributions are made equally by employer and employee

Increased employer contribution to TRS

- Could provide an additional savings of 2%
- Contribution made by employer