



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Department of Administration

PAULA VRANA, COMMISSIONER

550 W. 7th Ave., Ste. 1970
Anchorage, AK 99501
Main: 907.269.6293
Fax: 907.465.2135
www.doa.alaska.gov

March 25, 2025

The Honorable Neal Foster
Co-Chair, House Finance Committee
Alaska State Capitol, Room 511
Juneau, AK 99801

The Honorable Andy Josephson
Co-Chair, House Finance Committee
Alaska State Capitol, Room 505
Juneau, AK 99801

The Honorable Calvin Schrage
Co-Chair, House Finance Committee
Alaska State Capitol, Room 410
Juneau, AK 99801

Dear Co-Chairs Foster, Josephson, and Schrage,

During the March 19, 2025, House Finance Committee hearing on House Bill (HB) 17, the Department of Administration (DOA) agreed to follow up with some information that was not available at the time. The questions from committee members and the follow-up responses are below.

Representative Stapp was inquiring about a discount rate for members to use their military service to buy into their retirement.

Defined Benefit members do have the option to claim military service, up to five years, so long as they are not eligible for a federal benefit for the same service. They must have been honorably discharged.

In claiming military service under Alaska Statute (AS) 39.35.340, the member would become indebted to the plan and the member is provided options for how to address their indebtedness. Members have the option to pay their indebtedness in full by personal check, a pre-tax transfer from an eligible account (i.e. supplemental annuity plan or deferred compensation plan), or enter into a salary reduction program in which a portion of their pay is directed to their indebtedness every payroll. Another option is to accept an actuarial reduction at retirement for claiming the service. This allows the member to claim the service, make no payments, and have their retirement benefit reduced by an actuarial factor to cover the cost of the claimed service.

The cost is based off the vesting year full salary (annualized if not a full year) multiplied by 6% if first hired prior to January 1, 1987, or 8.5% if first hired on or after January 1, 1987, multiplied by the years of military service being claimed (maximum five years), the resulting figure is the indebtedness owed for claiming the service.

If claiming service and applying an actuarial reduction reduces the pension amount below what it would have been had the service not been claimed, the retirement processing technician will remove the claimed service and its indebtedness from the final pension calculation. DOA's focus is to provide members with the best possible benefit. If claimed, and unpaid service is not beneficial to members by applying an actuarial reduction, DOA will remove that service and give the member the best benefit possible.

Within HB17, claiming military service is not required. The bill states under subsection:

- (a) a terminated employee is eligible for a normal retirement benefit
 - (1) with at least five years of credited service
 - (A) at age 60; or
 - (B) at any age if the terminated employee is a veteran rated by the United States Department of Veterans Affairs as permanently and totally disabled for a service- connected condition.

This bill does not require a claim for military service under AS 39.35.340 in order for a member to be retired under the provisions contained in HB17. The member would be able to produce a verified document (likely a DD2-14) from their branch of the U.S. Armed Forces showing that they have been separated from military service for a service-related condition for which they are rated as permanently and totally disabled. It's upon producing this document and completing an application for retirement that the member would be able to retire under the provisions of HB17.

Since this bill is amending the statute for normal retirement, there is no early retirement reduction based on the member's age at time of retirement.

Representative Hannan asked if the Division of Retirement and Benefits (DRB) knows if this class of members are living and currently receiving a disability from Veterans Affairs and would want to exercise the provision of this bill?

The bill sponsor is aware of four members who would be eligible, and it is assumed there could be as many as 48. DRB does not track this information, so does not know who these people are. DRB would not be able to identify who these members are until they come forward.

Please let us know if the committee has any additional questions.

Sincerely,


Paula Vrana
Commissioner

cc: Forrest Wolfe, Legislative Liaison, DOA
Jordan Shilling, Director, Governor's Legislative Office