

HB 78 – Public Employee Defined Benefits Plan Reinstatement

Policy Proposal Summary (5/13/25)

Version: Work Draft: 34-LS0493\I.A

Benefit Category	Proposed New PERS-PS (Public Safety)	Proposed New PERS-NPS (Non-PS public employees)	Proposed New TRS (Teachers)	Rationale for Policy Choice	Bill Section Version I
Employee Contribution	Adjustable 8-12% by ARM Board depending on risk of unfunded liability.	Adjustable 8-12% by ARM Board depending on risk of unfunded liability.	Adjustable 8-12% by ARM Board depending on risk of unfunded liability.	Employees share risk and liabilities, contributing more during poor market returns.	PERS: Sec. 63 TRS: Sec. 8
Employer Contribution	PERS employers other than the State pay the lesser of 22% or the full actuarially determined cost, but no less than 12%. State maintains existing liability toward past service cost above the 22%. When employee contribution rate rises or is reduced, employer contribution is synced by an equivalent total sum.	PERS employers other than the State pay the lesser of 22% or the full actuarially determined cost, but no less than 12%. State maintains existing liability toward past service cost above the 22%. When employee contribution rate rises or is reduced, employer contribution is synced by an equivalent total sum.	TRS employers other than the State pay the lesser of 12.56% or the full actuarially determined cost, but no less than 12%. State maintains existing liability toward past service cost above the 12.56%. When employee contribution rate rises or is reduced, employer contribution is synced by an equivalent total sum.	Employer contributions align with current rates for DB and DC tiers, but when full actuarially determined cost falls below the maximum rates, municipalities and school districts receive financial relief; deemed best practices for rate-setting among public pension systems. The 12% hard floor supports long-term success of the plan. Employers and employees share risk and liabilities when employee contribution rate rises and both benefit from reductions when system performs well.	PERS: Sec. 63, Sec. 68 TRS: Sec. 8, Sec. 10
Employer Fee for Late Payments Reduced to Normal Interest	Current law of 1.5 times interest rate on late payments to the State of employer and employee contributions reduced to the normal interest rate.	Current law of 1.5 times interest rate on late payments to the State of employer and employee contributions reduced to the normal interest rate.	Current law of 1.5 times interest rate on late payments to the State of employer and employee contributions reduced to the normal interest rate.	Intended to provide financial relief to municipal and school district employers.	PERS: Sec. 84 TRS: Sec. 9

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Vesting	5 years	5 years	5 years	PERS is consistent with prior DB tiers. Aligns TRS with PERS vesting period. Teachers previously vested at 8 years.	PERS: Current Law (DB) & Sec. 73 TRS: Sec. 17, Sec. 28
Qualification for Retirement	Age 50 w/ 25 years of service or Age 55 w/20 years of service	Age 60 or 30 years of service	Age 60 or 30 years of service	Allows PS employees to reach retirement eligibility prior to age 60. Aligns TRS with PERS qualification for retirement. PS and teachers previously qualified at any age after 20 years.	PERS: Sec. 74 TRS: Sec. 17
Benefit Calculation Formula	2.0% First 10 years 2.5% thereafter	2.0% first 10 years 2.25% next 10 years 2.5% thereafter	2.0% first 10 years 2.25% next 10 years 2.5% thereafter	PERS is consistent with prior PERS Tier III. Aligns TRS with PERS benefit calculation. Teachers previously received 2.0% for 20 years and 2.5% thereafter.	PERS-PS & PERS-NPS: Current Law (DB) TRS: Sec. 19
Final Average Salary	Highest 5 consecutive payroll years	Highest 5 consecutive payroll years	Highest 5 payroll years (includes contract addenda)	PERS-NPS consistent with prior PERS-NPS Tier III. Aligns PERS-PS with PERS-NPS final average salary calculation. PERS-PS previously based on highest 3 consecutive years. Teachers now based on nonconsecutive years similarly to prior TRS Tier II highest 3 nonconsecutive years.	PERS: Current Law (DB) & Sec. 84 TRS: Sec. 26

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Alaska Cost of Living Adjustment (COLA)	Eliminated for new PERS-PS	Eliminated for new PERS-NPS	Eliminated for new TRS	Unlike prior DB plans, no COLA is provided for new PERS or TRS DB plans; helps to keep plan solvent.	PERS: Sec. 78 TRS: Sec. 20
Post Retirement Pension Adjustments (PRPA) (Inflation Protection)	PRPA provided if new DB trust fund values are 90% funded, else ARM Board may reduce or eliminate. Nonresidents ineligible for PFD, as the qualifications read on the effective date of the Act, are subject to 50% reduction in PRPA.	PRPA provided if new DB trust fund values are 90% funded, else ARM Board may reduce or eliminate. Nonresidents ineligible for PFD, as the qualifications read on the effective date of the Act, are subject to 50% reduction in PRPA.	PRPA provided if new DB trust fund values are 90% funded, else ARM Board may reduce or eliminate. Nonresidents ineligible for PFD, as the qualifications read on the effective date of the Act, are subject to 50% reduction in PRPA.	ARM Board may reduce or eliminate PRPA as necessary to keep the plan solvent. As an incentive to retiree state residency and offset in-state expenses, nonresidents receive a 50% reduction in PRPA.	PERS: Sec. 76, Sec. 76 TRS: Sec. 21, Sec. 22, Sec. 23
Retirement Medical Coverage	Coverage consistent with PERS Tier IV (Current DC plan). Major medical as supplement to Medicare available at age 65; premiums depend on service years. Years of service eligibility have reduced from 25 to 20 years, and qualifying members no longer must retire directly from the plan. Employer contributes 4% average all employee	Coverage consistent with PERS Tier IV (Current DC plan). Major medical as supplement to Medicare available at age 65; premiums depend on service years. Years of service eligibility have reduced from 30 to 25 years, and qualifying members no longer must retire directly from the plan. Employer contributes 3% average all employee	Coverage consistent with TRS Tier III (Current DC plan). Major medical as supplement to Medicare available at age 65; premiums depend on service years. Years of service eligibility have reduced from 30 to 25 years, and qualifying members no longer must retire directly from the plan. Employer contributes 3% average all employee	Medical plan is consistent with PERS Tier IV and TRS Tier III, the current DC plans, to keep the plan solvent. Increase of PER PS employer contribution will cover the longer gap between retirement age and Medicare eligibility age.	PERS: Sec. 82 TRS: Sec. 25 PERS & TRS: Sec. 44, Sec. 46, Sec. 76

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	compensation to employee HRA trust; individual accounts can be used for any qualifying medical need, including insurance premiums.	compensation to employee HRA trust; individual accounts can be used for any qualifying medical need, including insurance premiums.	compensation to employee HRA trust; individual accounts can be used for any qualifying medical need, including insurance premiums.		
Disability & Death Benefits	Coverage consistent with PERS Tier III. Nonoccupational disability benefit calculated as normal retirement. Occupational disability or death provides 40% of the gross monthly compensation. Nonoccupational death benefit provided under formula.	Coverage consistent with PERS Tier III. Nonoccupational disability benefit calculated as normal retirement. Occupational disability or death provides 40% of the gross monthly compensation. Nonoccupational death benefit provided under formula.	Coverage consistent with TRS Tier II. Nonoccupational and occupational disability is 50% of member's base salary immediately before disability plus 10% for each dependent child up to four. Nonoccupational death benefit for vested member either lump sum or 50% joint & survivor option. Occupational death 40% of average base salary until normal retirement, then normal retirement.	PERS is consistent with prior PERS Tier III. TRS is consistent with prior TRS Tier II. Unlike current DC plans, provides nonoccupational benefits to provide minimal protection to employees and their families when they have career ending injuries or disabilities occur off the job.	PERS: Current Law (DB) TRS: Current Law (DB)

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Requirement of Separate Accounting	Plan administrator and ARM Board have mandate to account for and track contributions, assets, earnings, and liabilities of the members of the new PERS-PS plan.	Plan administrator and ARM Board have mandate to account for and track contributions, assets, earnings, and liabilities of the members of the new PERS-NPS plan.	Plan administrator and ARM Board have mandate to account for and track contributions, assets, earnings, and liabilities of the members of the new TRS plan.	Formerly, no separate accounting for prior DB tiers, which will be necessary for the new DB plans to maintain separate attribution of assets, risks, and liabilities.	PERS & TRS: Sec. 38
Requirement of Sub-Trusts	The ARM Board shall establish sub-trusts to hold the employer and employee contributions, assets, and earnings of the new DB plans for the pension and major medical benefits and prevent commingling of DC member major medical benefits.	The ARM Board shall establish sub-trusts to hold the employer and employee contributions, assets, and earnings of the new DB plans for the pension and major medical benefits and prevent commingling of DC member major medical benefits.	The ARM Board shall establish sub-trusts to hold the employer and employee contributions, assets, and earnings of the new DB plans for the pension and major medical benefits and prevent commingling of DC member major medical benefits.	Creation of pension and medical sub-trusts for the new DB plans, along with existing HRA sub-trusts, enable better tracking of assets, risks, and liabilities and increased protection from prior DB and DC tier liabilities.	PERS & TRS: Sec. 39-41, Sec. 50, Sec. 43 PERS: Sec. 70 TRS: Sec. 15
TRS Members with PERS Service May Add PERS Compensation to TRS for Benefit Calculation	PERS DB members who are also members of a TRS DB plan can elect to have their PERS earnings included in their TRS base salary to potentially count toward their pension benefit calculation.	PERS DB members who are also members of a TRS DB plan can elect to have their PERS earnings included in their TRS base salary to potentially count toward their pension benefit calculation.	TRS DB members who are also members of a PERS DB can elect to have their PERS earnings included in their TRS base salary to potentially count toward their pension benefit calculation.	During vetting of the legislation for the SL&C CS it was observed that some teachers work in PERS service when not teaching while TRS and PERS dual membership was not addressed in law; this remedy was sought.	PERS: Not Applicable TRS: Sec. 3

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What happens to current DC employees, hired after 2006, if this became law?	Current PERS Tier IV members, including previous transferors from DB Tier III, could opt to convert to the new DB plan by January 1, 2027, six months after the effective date of the bill.	Current PERS Tier IV members, including previous transferors from DB Tier III, could opt to convert to the new DB plan by January 1, 2027, six months after the effective date of the bill.	Current TRS Tier III members, including previous transferors from DB Tier II, could opt to convert to the new DB plan by January 1, 2027, six months after the effective date of the bill.	Giving current DC employees an “opt-in” ensures that current employees can retain their DC plans or choose to opt into the new DB plan.	PERS & TRS: Sec. 96, (Uncodified Law)
What happens to DC employees who convert to the new DB plan if their DB service time credit is different than their service time under DC?	The balance of the account of a PERS Tier IV member opting into the DB plan is valued for DB service time. If the value provides fewer DB years than worked the employee may elect to accept those service years or pay up to full service time. If the value is more than full service time, the member must rollover the remainder to SBS account, or if none exists, to an IRA.	The balance of the account of a PERS Tier IV member opting into the DB plan is valued for DB service time. If the value provides fewer DB years than worked the employee may elect to accept those service years or pay up to full service time. If the value is more than full service time, the member must rollover the remainder to SBS account, or if none exists, to an IRA.	The balance of the account of a TRS Tier III member opting into the DB plan is valued for DB service time. If the value provides fewer DB years than worked the employee may elect to accept those service years or pay up to full service time. If the value is more than full service time, the member must rollover the remainder to SBS account, or if none exists, to an IRA.	Allows DC members opting into DB plan to join without worrying about a mandatory requirement to pay up full service time. Requires DC members with account balances in excess of value necessary to pay full service time credit to transfer remainder to an SBS account, or if the employer does not participate in SBS, to a private IRA; the member may only belong to either the DC plan or the DB plan.	PERS & TRS: Sec. 96, (Uncodified Law) PERS: Sec. 61 TRS: Sec. 4

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What happens to new employees, hired after the bill goes into effect, if this becomes law?	New employees would have a choice to partake in the new DB plan or in the current DC plan. If none is chosen, they are automatically enrolled in the DB plan. New employees, however, have up until the time of vesting to opt in to the DC plan.	New employees would have a choice to partake in the new DB plan or in the current DC plan. If none is chosen, they are automatically enrolled in the DB plan. New employees, however, have up until the time of vesting to opt in to the DC plan	New employees would have a choice to partake in the new DB plan or in the current DC plan. If none is chosen, they are automatically enrolled in the DB plan. New employees, however, have up until the time of vesting to opt in to the DC plan	It ensures that future employees are empowered to choose the plan that works for them, while clearly signaling that Alaska is ready to offer a real pension again, one designed to work better, cost less overtime, and keep experienced public servants on the job.	PERS: Sec. 58 & Current Law (DB) TRS: Sec. 1, Sec. 2, & Current Law (DB)
What happens to former DC employees who left their DC accounts active who are reemployed in service if this bill became law?	Former PERS Tier IV members who are reemployed who kept their DC accounts active can opt to convert from the DC plan to the new DB plan within a 180-day window, regardless of when they come back.	Former PERS Tier IV members who are reemployed who kept their DC accounts active can opt to convert from the DC plan to the new DB plan within a 180-day window, regardless of when they come back.	Former TRS Tier III members who are reemployed who kept their DC accounts active can opt to convert from the DC plan to the new DB plan within a 180-day window, regardless of when they come back.	Giving former DC employees an “opt-in” ensures the employees have flexibility in their options; incentivizes return to public service and potentially increases membership of the new DB plans.	PERS: Sec. 62 TRS: Sec. 5

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What happens to former DC employees who did not leave their DC accounts active who are reemployed in service if this bill became law?	Former PERS Tier IV members who are reemployed who did not keep their DC accounts active will become members of the new DB plan, unless their DC account was rolled over to an IRA and rolled back; then they can opt to convert from the DC plan to the new DB plan.	Former PERS Tier IV members who are reemployed who did not keep their DC accounts active will become members of the new DB plan, unless their DC account was rolled over to an IRA and rolled back; then they can opt to convert from the DC plan to the new DB plan.	Former TRS Tier III members who are reemployed who did not keep their DC accounts active will become members of the new DB plan, unless their DC account was rolled over to an IRA and rolled back; then they can opt to convert from the DC plan to the new DB plan.	Alaska's workforce challenges recruiting and retaining public workers are the primary motivation driving this legislation. Pensions remain among the best fiscal choices for the state to meet these goals.	PERS: Sec. 58-60; TRS: Sec. 1-4,