



ALASKA STATE LEGISLATURE

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Explanation of Changes

House Finance CS for House Bill 78

Version 34-LS0493\A to 34-LS0493\I.A

The House adopted the following changes:

1. Section 2 (page 2, line 3), Section 3 (page 3, lines 3, 7, 8), Section 4 (page 3, lines 24, 25, 26), Section 30 (page 20, line 14), Section 32 (page 20, line 29), Section 38 (page 25, line 7), Section 58 (page 33, lines 2 & 5), Section 59 (page 33, lines 8, 11-12), Section 61 (page 34, lines 5-6), Section 87 (page 49, 29), Section 89 (page 50, line 13), and Section 96 (page 51, lines 25, 27; page 52, lines 5-7):
 - a. Updates the effective date from 2025 to 2026.
2. Section 8 (page 8, line 9; 21-23), and Section 63 (page 38, line 3; 14-16):
 - a. Amends the direction for the Alaska Retirement Management Board (ARM Board) from 'may' to 'shall' when increasing both TRS and PERS members' contribution to address a past service cost if the new Define Benefit (DB) plan drops below 90% funded.
 - b. Adds direction for the ARM Board that if the employer contribution increases then the employee contribution also needs to be increased at a comparable rate.
 - c. This would become a mandatory responsibility for the ARM Board to keep the plan healthy and equitable.
3. Section 23 (page 14, lines 19-22, 25), and Section 77 (page 43, lines 4-9; 12):
 - a. Adds new subsections that would reduce the Post Retirement Pension Adjustments (PRPA) to 50% for nonresidents ineligible for PFD, as the qualifications read on the effective date of the Act.
 - b. This change is an incentive for retirees to stay in the state.
 - c. Amends the direction for the Alaska Retirement Management Board (ARM Board) from 'may' to 'shall' when adjusting the Post Retirement Pension Adjustments (PRPA) to address a past service cost if the new Define Benefit (DB) plan drops below 90% funded.
4. Section 25 (page 15, lines 23, and 26-27), Section 49 (page 30, lines 29-30), Section 82 (page 45, line 20, 23),
 - a. Deletes the requirement for members to retire directly from the plan to qualify for their retirement healthcare.

- b. This is an ARM Board's recommendation from their March 2025 meeting which would clarify the requirements for the current plan for the Define Contribution healthcare system (which HB 78 maintains).
 - c. Removes the unnecessary penalty on the members who have already met the eligibility criteria through years of service.
- 5. Section 38 (page 23, lines 11-12):
 - a. Deletes the prescriptive language of "level percent of pay" which directs how the ARM Board is to pay off the past service cost.
 - 1. This allows the ARM Board to change their amortization method to make the best decision for the state and the plan.
- 6. Section 38 (page 22, lines 7-8):
 - a. Amends the ARM Board directive to adopt policy to prevent the retirement plan from dropping below the 90% funding.
 - 1. Keeping the fund above 90% keeps the fund solvent and away from unfunded liabilities.
- 7. Section 25 (page 15, line 30), Section 33 (page 20, lines 30-31; page 21, lines 1-6), Section 82 (page 45, lines 23-25) and Section 90 (page 50, lines 14-23):
 - a. Amends the years of service for healthcare eligibility for TRS and PERS non-public safety from 30 years to 25 years; and for PERS public safety from 25 years to 20 years.
 - b. This is an ARM Board's recommendation from their March 2025 meeting due to the overfunded status of the healthcare retirement plan. Reducing the years still maintains overfunded status and requires only a modest increase in the normal cost.
- 8. Section 95: (page 51, line 17)
 - a. Repeals two repealed sections which would now allow for the plan to be a choice for new employees. New employees are automatically enrolled in the new DB unless they choose to go to the DC plan. They have until they are vested to opt-in to the current retirement plan.
 - 1. This gives employees flexibility in their retirement future.