

ALASKA STATE LEGISLATURE

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SENATOR JAMES KAUFMAN

Sponsor Statement for SB 198 – Bill Version A

“An Act relating to the teachers' defined contribution retirement plan; relating to the public employees' defined contribution retirement plan; and providing for an effective date.”

Currently, the health care plan for state defined contribution (DC) public employees and teachers (PERS Tier 4 & TRS Tier 3) requires 30 years of service and lacks important flexibility.

Upon retirement, eligible DC employees can access the Retiree Major Medical Insurance Plan (RMMIP) and Health Reimbursement Arrangement (HRA). Monthly premiums for RMMIP before an employee is Medicare eligible are cost prohibitive, and then drop down once enrolled in Medicare. HRAs can be used to reimburse eligible healthcare expenses, including premiums.

Last year, the Alaska Retirement Management (ARM) Board recommended several beneficial changes which SB 198 seeks to enact.

First, SB 198 removes the requirement that employees retire directly into the healthcare plan after working the previous 12 months. The current plan imposes unnecessary rigidity on employees, penalizing those who leave employment but are not yet ready to enroll in the plan by forcing them to either delay retirement or seek temporary re-employment a year before they want to retire. Removing this requirement will allow employees to strategically plan when they enroll in their health benefits based on their unique health and financial circumstances.

Second, SB 198 reduces the required years of service for peace officers and firefighters to 20 years (from 25) and all other public employees to 25 years (from 30). This is the third of three options the board recommended. The PERS defined contribution retirement plan is currently 121% funded, with a \$42 million surplus. The TRS defined contribution retirement plan is currently 136% funded, with a \$21 million surplus. Reducing the years of service keep both plans funded above 100%.

Since no members have yet reached the 25- or 30-year thresholds, now is the right time to address these eligibility requirements so the DC healthcare plan better serves the employees who have dedicated their career to public service.