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To: [Senate Labor and Commerce](#); [Senate Finance Committee](#)
Subject: Public Testimony SB 21
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Public Testimony on Alaska Retirement Savings Bill SB 21

Honorable Members of the Committee,

I appreciate the opportunity to provide testimony regarding the Alaska Retirement Savings Bill, a critical piece of legislation that has far-reaching implications for the financial security of working Alaskans. While I understand the intention behind the bill, it is essential to examine its potential legal, financial, and social impacts comprehensively.

1. Legal and Constitutional Concerns

The bill raises significant constitutional concerns, particularly related to individual rights and state authority over private financial affairs. There are questions surrounding the constitutionality of compelling individuals to contribute to a state-run retirement program, which could be seen as an infringement on individual liberty and property rights, as protected under the Fourteenth Amendment (US Constitution, 1868). Furthermore, while the bill suggests that the program is voluntary, it's crucial to ensure that there is no undue pressure on workers to participate, as this could inadvertently lead to a de facto mandate.

Additionally, the bill fails to address how it interacts with existing federal laws like the Employee Retirement Income Security Act of 1974 (ERISA), which governs private retirement plans (U.S. Department of Labor, 2024). There is a need for clarity regarding whether the state-run plan will complement or compete with federal programs, potentially leading to regulatory conflicts.

2. Corporate Accountability and Governance

A key concern is the governance structure of the Alaska Retirement Savings Board. Given the potential for conflicts of interest, it is vital that members of this board are held to strict standards of corporate accountability. The bill should include provisions to ensure that all members disclose financial interests and undergo thorough vetting before appointment to avoid conflicts of interest. The Corporate Transparency Act (U.S. Department of the Treasury, 2021) emphasizes the importance of transparency in financial governance, which should be applied here as well.

3. Financial Burdens on Employers

The Alaska Retirement Savings Bill, while beneficial to individual workers, may impose significant financial burdens on employers. The bill could introduce additional compliance costs for businesses, particularly small enterprises that may struggle with the administrative overhead of facilitating enrollment and managing employee contributions. Employers could also face potential penalties for non-compliance, which would further increase operational costs.

For small businesses, the additional cost of maintaining such a program may result in

unintended consequences, such as reducing wages, curtailing benefits, or limiting new hiring. It's critical that the bill include provisions that help ease the burden on employers, especially those with fewer than 50 employees, to ensure that they do not face disproportionate costs (U.S. Small Business Administration, 2023).

4. Environmental Accountability and Social Responsibility

The bill must consider the environmental and social impacts of the financial institutions managing the funds. Investment firms chosen to manage these retirement savings should be required to disclose their investments in industries that may conflict with Alaska's environmental goals. The state of Alaska has a long history of supporting sustainable practices, and this bill must ensure that investments align with the principles of Environmental, Social, and Governance (ESG) criteria. Failure to do so could harm Alaska's reputation as a leader in environmental stewardship and undermine public trust in the program (Hawken, 2022).

5. Penalties for Non-Compliance

The bill should include strict penalties for non-compliance with reporting and fiduciary duties. Without these provisions, there is a risk that mismanagement or malfeasance could go unchecked, harming Alaska's workers. The absence of robust enforcement mechanisms could lead to loss of public confidence and financial instability in the program.

6. Impact on Marginalized Communities

Finally, it is crucial that this bill addresses the economic disparities faced by marginalized communities, including Alaska Natives, low-income workers, and people with disabilities. These groups are often excluded from traditional financial systems and may face barriers to participating in the program. The bill should include provisions to ensure accessibility and provide targeted outreach to these communities, helping them secure financial stability.

In conclusion, while the Alaska Retirement Savings Bill presents a potentially beneficial opportunity for working Alaskans, it requires significant revisions to address legal, financial, and social concerns. I urge the committee to incorporate stronger governance provisions, clarify constitutional aspects, ensure corporate accountability, ease the burden on employers, and promote environmental sustainability in the management of funds.

I appreciate your time and attention to this matter and look forward to a constructive discussion on how you can strengthen this legislation for the benefit of all Alaskans.

References

- Hawken, P. (2022). *Regenerative capitalism: How universal principles and patterns will shape our economic future*. Greenleaf Publishing.
- U.S. Department of Labor. (2024). Employee Retirement Income Security Act of 1974 (ERISA). <https://www.dol.gov/general/topic/health-plans/erisa>
- U.S. Department of the Treasury. (2021). Corporate Transparency Act. <https://www.treasury.gov/services/cta>
- U.S. Small Business Administration. (2023). Small Business Profile: Alaska. <https://www.sba.gov/federal-contracting/contracting-assistance-programs/small-business->

[profiles](#)

I have several recommendations to address the concerns raised in the testimony. These recommendations aim to make the Alaska Retirement Savings Bill more comprehensive, equitable, and sustainable:

1. Clarify Voluntary Participation and Avoid Unintended Mandates

Recommendation: Clearly define voluntary participation in the bill and ensure that the program remains optional for workers. This can be done by explicitly stating that workers can opt-out at any time without facing penalties.

Rationale: This would ensure that the program does not inadvertently become a de facto mandate, protecting individual freedoms and ensuring compliance with constitutional protections (e.g., the Fourteenth Amendment).

2. Strengthen Employer Protections

Recommendation: Implement subsidies or tax incentives to help small businesses offset the administrative costs of setting up and maintaining the retirement plan, particularly for businesses with fewer than 50 employees.

Rationale: Small businesses are essential to Alaska's economy, and additional financial burdens on them could stifle growth and hiring. Offering financial support would encourage compliance while minimizing negative impacts on job creation.

Action: Introduce a tax credit for businesses that offer the retirement savings plan and administrative support.

3. Address Employer Penalties Fairly

Recommendation: Introduce graduated penalties for employers based on the size of the business and its ability to comply. For instance, small businesses should face lower fines or be given more time to comply with the regulations.

Rationale: Fines and penalties should not disproportionately impact small businesses that lack the resources of larger firms. This approach would create a fairer system that encourages compliance without causing undue hardship.

4. Improve Governance and Transparency

Recommendation: Strengthen corporate governance standards for the Alaska Retirement Savings Board by requiring annual audits and conflict-of-interest disclosures from board members.

Rationale: These measures would enhance transparency, ensuring that decisions are made in the best interests of Alaska's workers and protecting the program from potential corruption or conflicts of interest.

Action: Establish an independent oversight body tasked with monitoring board activities and

ensuring accountability.

5. Ensure Environmental, Social, and Governance (ESG) Standards

Recommendation: Introduce requirements that the funds managed by the retirement program adhere to ESG principles, ensuring investments align with Alaska's environmental and social goals.

Rationale: Alaska has a strong tradition of environmental stewardship, and it's crucial that state funds are invested in ways that support sustainable practices.

Action: Require investment firms managing the program's funds to demonstrate compliance with ESG criteria, such as prioritizing investments in renewable energy, social equity initiatives, and sustainable industries.

6. Provide Outreach and Support for Marginalized Communities

Recommendation: Introduce targeted outreach and support for Alaska Natives, low-income workers, and other marginalized communities to ensure they are aware of the program and can easily participate.

Rationale: These communities often face barriers to financial security, and the retirement savings program must be accessible to them. Providing resources, education, and assistance will ensure equitable participation.

Action: Develop culturally appropriate outreach programs in partnership with Native organizations and community leaders.

7. Strengthen Financial Education and Retirement Planning

Recommendation: Mandate financial literacy programs for employees who opt into the plan, helping them understand their options and make informed decisions about their retirement savings.

Rationale: Financial literacy is crucial for making the most of retirement savings programs. This education should include how to manage the funds, understanding investment options, and the long-term benefits of saving for retirement.

Action: Partner with financial advisors and community organizations to offer free or low-cost educational workshops.

8. Ensure Robust Enforcement and Accountability

Recommendation: Establish clear enforcement mechanisms that include audits, oversight, and transparency reports to track the performance of the plan and ensure proper fund management.

Rationale: Without robust enforcement, the program may face issues with mismanagement or fraud. Regular audits and transparency will build public confidence and hold those in charge accountable.

Action: Create a dedicated independent auditing body to oversee the program and ensure funds are being managed responsibly.

9. Incorporate Mechanisms for Easy Opt-Out or Portability

Recommendation: Ensure the program allows for easy opt-out and portability of retirement funds for workers who leave Alaska or change employers.

Rationale: Workers should have the ability to manage their retirement savings even if they leave the state or change jobs, without being penalized. This ensures the program is flexible and fair to all participants.

Action: Provide clear guidelines for how workers can easily transfer or withdraw funds without excessive fees or barriers.

10. Create a Long-Term Sustainability Plan

Recommendation: The state should develop a long-term sustainability plan for the retirement program, including strategies for managing market volatility, ensuring the program remains solvent, and addressing future demographic changes.

Rationale: The program must be designed to be sustainable over time. Proactive measures will ensure it remains financially sound, even as the population and workforce evolve.

Action: Collaborate with financial experts to create a robust risk management strategy for the program's future.

By addressing these recommendations, the Alaska Retirement Savings Bill can become a more equitable, sustainable, and effective tool for supporting Alaska's workforce. It is critical that the bill not only protects the financial interests of workers but also ensures fairness for employers, encourages environmental stewardship, and provides comprehensive support for marginalized communities.

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I appreciate the hardwork that went into making this a legally sound bill. I would just like to see it perfected before it becomes law.

Thank you for your time and attention
Susan Allmeroth
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Myself