

Alaska State Legislature

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SENATE PRESIDENT PETE KELLY

Sponsor Statement

Senate Bill 212

“An Act relating to participation of certain peace officers and firefighters in the defined benefit and defined contribution plans of the Public Employees' Retirement System of Alaska; relating to eligibility of peace officers and firefighters for medical benefits; and providing for an effective date.”

SB 212 would create a new defined benefit pension option for state and municipal peace officers and firefighters under the Alaska Public Employees' Retirement System (PERS) with new protections for the state against unforeseen future pension liabilities.

Since ending defined benefit plans in 2006, one of Alaska's greatest public safety challenges has become employee retention and recruitment. Alaska is one of the few jurisdictions that does not presently offer a defined benefit type retirement for new public safety employees. Additionally, many municipal public employees do not participate in Social Security or the Supplemental Annuity Plan (SBS-AP).

Since 2011, 126 State Troopers have left state service, and 72 percent of them moved to law enforcement agencies with better pay and benefits. Recruitment remains one of the greatest challenges facing the Department of Public Safety today. With an average cost of \$190,000 per Trooper to recruit, train, and send out into our communities, these separations have an enormous cost to Alaska. Similarly, in Fairbanks, the average length of service for each new firefighter is 1.9 years.

SB 212 is crafted to retain and attract quality peace officers and firefighters while protecting the state from undue financial risks in the future. The proposed option would allow future peace officers and firefighters under the PERS system and current ones under the PERS Tier IV plan to join the defined benefit plan. The proposal includes several safeguards modeled after the most fiscally responsible plans in the nation. These safeguards provide stability and would help protect the state from undue financial risks in the future. These provisions include a minimum retirement age of 55 with 20 years of service, flexibility setting employee contribution rates, minimum 12 percent employer contribution rates, mechanisms to prevent costly "pension spiking," and the ability to withhold post-pension retirement adjustments should the plan's funding drop below 90 percent. The plan mirrors much of the PERS Tier III benefits for public safety, though it retains the current Tier IV defined contribution retirement plan's health reimbursement arrangement (HRA) and absence of cost of living adjustments as an important cost savings measures.

Alaska smartly ended the defined benefit plan in 2006 after we discovered how underfunded those accounts were to meet anticipated retiree obligations. Knowing that Alaska must meet our obligation to retirees, we cannot afford to return to defined benefit retirements workforce wide. However, the nature of the jobs that peace officers and firefighters hold are uniquely physically demanding and hazardous compared to other public employees, and all Alaskans pay the cost for understaffed public safety agencies.