



SENATOR JESSE KIEHL

Sponsor Statement

Senate Bill 46

Retirement Choices

Senate Bill 46 lets teachers, Troopers, firefighters and other public employees choose one of two state retirement systems: today's defined contribution retirement account or earning a new defined benefit pension. And it saves the state money in the process.

A defined benefit pension takes time to earn but rewards public service by paying a guaranteed monthly benefit and, for long-term employees, health insurance. An individual defined contribution account is portable from one employer to another, and flexible in how it can be used, but makes no guarantees.

SB 46 lets newly hired public servants in Alaska choose the one that fits best. SB 46 creates a new more stable, more predictable defined benefit pension tier for teachers and public employees. A few years ago, Alaska beefed up oversight of the pension system to head off any new surprises. SB 46 keeps these smart reforms, making Alaska pensions stronger than ever.

And because the defined benefit pensions for new employees include sharing the risk of rising health costs, they will never cost employers more than the defined contribution system, saving money for schools, cities, and the State of Alaska. Fiscal notes prepared for prior versions of this bill show it saving the state roughly \$70 million in the first 10 years.

Alaska teachers and public employees don't earn the private sector's defined benefit of Social Security, and many even lose Social Security benefits they earned in past jobs. So for most, a defined benefit pension makes sense. Other employees will choose individual accounts because they prefer flexibility, portability, and control—or because their career plans do not include long-term service in the public sector. SB 46 gives a new hire the freedom to decide.

The teachers who educate our children, the police and firefighters who protect our families, and the public employees who serve our state and cities will be able to choose the benefit that best fits their service, while saving money for the state.