

Representative Grier Hopkins



ALASKA STATE HOUSE OF REPRESENTATIVES

Sponsor Statement for House Bill 220

An Act relating to the Public Employees' Retirement System of Alaska

Since 2006, Alaska's new public employees have been denied long term stability for planning their retirement and lifelong financial goals. Today, HB 220 offers all of Alaska's public employees the choice of a career with the portability of a Defined Contribution System or the stability of a Defined Benefit System.

Fifteen years of decreased recruitment and retention of educators, public safety officials and state and municipal employees have shown the shortfalls of a "one-size-fits-all" Defined Contribution System: Reduced educational aptitude, decreased long-term job performance, high employee turnover, increased training/recruitment costs and inefficient spending of limited state dollars. HB 220 proposes a new option that is a) cost neutral to the state budget, b) shares future risk with employees, and c) does not tie the state's hands with increased medical costs.

HB 220 is cost neutral. It does not increase the state's contribution above the existing Defined Contribution plan in place since 2006. It shares the risk between the state and the employee by mandating that employee contribution rates increase to keep the pension fund solvent in years of poor returns. Skyrocketing health care costs were a key driver in Alaska choosing to cut off employee access to a defined benefit retirement system in 2006. However, HB 220 would provide defined benefit plan employees in the same health benefit system currently in place for defined contribution employees. While employees would get to choose their retirement plan, all would still receive the same health care benefits, limiting state exposure to increased health costs.

This plan would maximize taxpayer's return on investment in our public employees. If passed, HB 220 would make it far more likely that 30,000 Alaskans would have the opportunity to keep their families in-state for their career, reinvesting their salaries and benefits in the communities they call home. By creating a cost-neutral pension system that shares investment risk between the state and her employees, Alaskans will see improved outcomes and increased efficiency in everything from public safety to education. Pensions are safe, sustainable, and strategic investment accounts that prepare employees and employers alike for long term success. Under HB 220, Alaskans would know how much is being put into the fund and how much will come out. As the old adage says, "Failing to plan is planning to fail." HB 220 will give our state workers – troopers, teachers, technicians and every other public employee who dedicates their career to public service – the chance to earn a retirement with dignity, and the recognition of their years of service to their fellow Alaskans.

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