

SB 88 – Public Employee Defined Benefits Plan Reinstatement
Proposal Summary & Bill Section References (3/10/23 Update)
Version: SB0088A – Work Draft: 33-LS0505\B

Benefit Category	Proposed New PERS-PS (Public Safety)	Proposed New PERS (Non-PS public employees)	Proposed New TRS (Teachers)	Rationale for Policy Choice	Bill Section & Page WD: 33-LS0505\B
Employee Contribution	8-10% (adjustable by ARM Board)	8-10% (adjustable by ARM Board)	8-10% (adjustable by ARM Board)	Employees share the risk, contributing more during poor market returns.	PERS: Sec. 64, p.36 TRS: Sec. 6, p.3
Employer Contribution	Existing limit of 22% for most employers, existing variable rate for the State and the stipulation that the employer rate be no less than 12% to ensure the long-term sustainability of the plan.	Existing limit of 22% for most employers, existing variable rate for the State and the stipulation that the employer rate be no less than 12% to ensure the long-term sustainability of the plan.	Existing limit of 12.56% for school districts, existing variable rate for the State and the stipulation that the employer rate be no less than 12% to ensure the long-term sustainability of the plan.	Employer contribution rates for PERS and TRS, respectively, align with rates set by prior DB tiers. Sets hard floor for long term success of the plan.	PERS: Current Law (DB) & Sec. 65, p.36-37; Sec. 68, p.37 TRS: Sec. 7, p.3 & Sec. 9, p.4
Vesting	5 years	5 years	5 years	PERS is consistent with prior DB tiers. Aligns TRS with PERS vesting period. Teachers previously vested at 8 years.	PERS: Current Law (DB) & Sec. 71, p.38 TRS: Sec. 16, p.7 & Sec. 38, p.24-25
Qualification for Retirement	50 w/ 25 years of service or 55 w/20 years of service	60 years of age or 30 years of service	60 years of age or 30 years of service	Allows PS employees to reach retirement eligibility prior to 60 years of age. Aligns TRS with PERS qualification for retirement. Teachers previously qualified at any age after 20 years.	PERS: Sec. 71, p.38 TRS: Sec. 16, p.7

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Benefit Calculation Formula	2.0% First 10 years 2.5% thereafter	2.0% first 10 years 2.25% next 10 years 2.5% thereafter	2.0% first 10 years 2.25% next 10 years 2.5% thereafter	PERS is consistent with prior PERS Tier III. Aligns TRS with PERS benefit calculation. Teachers previously received 2.0% for 20 years and 2.5% thereafter.	PERS-PS: Current Law (DB) PERS-NPS: Current Law (DB) TRS: Sec. 16, p.7
Final Average Salary	Highest 5 consecutive years	Highest 5 consecutive years	Highest 5 consecutive years	PERS-NPS is consistent with prior PERS-NPS Tier III. Aligns PERS-PS and TRS with PERS-NPS final average salary calculation basis. PERS-PS was previously based on highest three consecutive payroll years. Teachers were previously based on highest three contract salaries.	PERS: Current Law (DB) & Sec. 80, p. 44 TRS: Sec. 37, p.24
Alaska Cost of Living	Eliminated for new PERS-PS	Eliminated for new PERS-NPS	Eliminated for new TRS	Unlike prior DB plans, no COLA is provided for new PERS or TRS DB plans; keeps plan solvent.	PERS: Sec. 75, p.39 TRS: Sec. 19, p.12

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Post Retirement Pension Adjustments (PRPA) (Inflation Protection)	ARM Board May provide PRPA to employees if DB trust fund values are equal or greater than 90% funded. The ARM Board will have the ability to withhold PRPA if the DB trust fund values fall below 90% funded.	ARM Board May provide PRPA to employees if DB trust fund values are equal or greater than 90% funded. The ARM Board will have the ability to withhold PRPA if the DB trust fund values fall below 90% funded.	ARM Board May provide PRPA to employees if DB trust fund values are equal or greater than 90% funded. The ARM Board will have the ability to withhold PRPA if the DB trust fund values fall below 90% funded.	To keep the plan solvent regardless of funding level.	PERS: Sec. 73-74, p.39 TRS: Sec. 20-23, p.12-13
Retirement Medical Coverage	Coverage consistent with PERS Tier IV (Current DC plan) Major medical as supplement to Medicare available at age 65; premiums depend on service years. Employer contributes 3% average all employee compensation to employee HRA trust; individual accounts can be used for any qualifying medical need, including insurance premiums.	Coverage consistent with PERS Tier IV (Current DC plan) Major medical as supplement to Medicare available at age 65; premiums depend on service years. Employer contributes 3% average all employee compensation to employee HRA trust; individual accounts can be used for any qualifying medical need, including insurance premiums.	Coverage consistent with TRS Tier III (Current DC plan) Major medical as supplement to Medicare available at age 65; premiums depend on service years. Employer contributes 3% average all employee compensation to employee HRA trust; individual accounts can be used for any qualifying medical need, including insurance premiums.	Medical plan is consistent with PERS Tier IV and TRS Tier III, the current DC plans, to keep the plan solvent.	PERS & TRS: Current Law (DC) is established in new DB tiers. PERS: Sec. 79, p.41-44 & Sec. 53, p.33 TRS: Sec. 36, p.21-23 & Sec. 53, p.33

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Disability & Death Benefits	Coverage consistent with PERS Tier III. Nonoccupational disability benefit calculated as normal retirement. Nonoccupational death benefit provided under formula. Occupational disability or death provides 40% of the gross monthly compensation.	Coverage consistent with PERS Tier III. Nonoccupational disability benefit calculated as normal retirement. Nonoccupational death benefit provided under formula. Occupational disability or death provides 40% of the gross monthly compensation.	Coverage consistent with PERS Tier III. Nonoccupational disability benefit calculated as normal retirement. Nonoccupational death benefit provided under formula. Occupational disability or death provides 40% of the average base salary.	PERS is consistent with prior PERS Tier III. Aligns TRS with PERS benefit calculations. Adding nonoccupational benefits to provide minimal protection to employees and their families when they have career ending injuries or disabilities occur off the job.	PERS: Current Law (DB) TRS: Sec. 18-22, p.8-13; Sec. 25, p.14; Sec. 29, p.16-17; & Sec. 32-33, p.18-19
What would happen to current employees (hired after 2006) if this became law?	Current PERS Tier IV members would have the option to convert from their DC plan to the DB plan within a four-month time window.	Current PERS Tier IV members would have the option to convert from their DC plan to the DB plan within a four-month time window.	Current TRS Tier III members would have the option to convert from their DC plan to the DB plan within a four-month time window.	Giving current DC employees an “opt-in” ensures that current employees can retain their DC plans or choose to opt into the DB plan.	PERS & TRS: Sec. 91-92, p.46-49 (Uncodified Law)

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<p>What would happen to new employees if this became law?</p> <p>(Hired after bill goes into effect)</p>	<p>New employees would automatically be enrolled in the DB system.</p>	<p>New employees would automatically be enrolled in the DB system.</p>	<p>New employees would automatically be enrolled in the DB system.</p>	<p>Alaska’s workforce challenges recruiting and retaining public workers are the primary motivation driving this legislation. Pensions remain the best fiscal choice for the state to meet these goals.</p>	<p>PERS: Sec. 62, p.35 TRS: Sec. 1-2, p.1-2</p>