

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON MILITARY AND VETERANS' AFFAIRS

April 5, 2012

1:53 p.m.

MEMBERS PRESENT

Representative Dan Saddler, Co-Chair
Representative Steve Thompson, Co-Chair
Representative Alan Austerman
Representative Bob Lynn
Representative Sharon Cissna
Representative Bob Miller

MEMBERS ABSENT

Representative Carl Gatto, Vice Chair

COMMITTEE CALENDAR

SENATE JOINT RESOLUTION NO. 16

Urging the United States Congress to approve legislation allowing members of the military to receive promised retirement benefits.

- MOVED SJR 16 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SJR 16

SHORT TITLE: MILITARY PENSIONS

SPONSOR(S): SENATOR(S) WIELECHOWSKI

02/03/12	(S)	READ THE FIRST TIME - REFERRALS
02/03/12	(S)	STA
02/09/12	(S)	STA AT 9:00 AM BUTROVICH 205
02/09/12	(S)	Moved SJR 16 Out of Committee
02/09/12	(S)	MINUTE(STA)
02/10/12	(S)	STA RPT 5DP
02/10/12	(S)	DP: WIELECHOWSKI, KOOKESH, PASKVAN, MEYER, GIESSEL
02/15/12	(S)	TRANSMITTED TO (H)
02/15/12	(S)	VERSION: SJR 16
02/17/12	(H)	READ THE FIRST TIME - REFERRALS
02/17/12	(H)	MLV
04/03/12	(H)	MLV AT 1:00 PM CAPITOL 120
04/03/12	(H)	Heard & Held

04/03/12 (H) MINUTE(MLV)
04/05/12 (H) MLV AT 1:00 PM CAPITOL 120

WITNESS REGISTER

KENDRA KLOSTER, Staff
Senator Bill Wielechowski
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: On behalf of Senator Bill Wielechowski, sponsor, reviewed SJR 16.

ACTION NARRATIVE

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CO-CHAIR DAN SADDLER called the House Special Committee on Military and Veterans' Affairs meeting to order at 1:53 p.m. Representatives Saddler, Thompson, Lynn, and Miller were present at the call to order. Representatives Austerman and Cissna arrived as the meeting was in progress.

SJR 16-MILITARY PENSIONS

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CO-CHAIR SADDLER announced that the only order of business would be SENATE JOINT RESOLUTION NO. 16, Urging the United States Congress to approve legislation allowing members of the military to receive promised retirement benefits.

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KENDRA KLOSTER, Staff, Senator Bill Wielechowski, Alaska State Legislature, presented SJR 16 on behalf of Senator Wielechowski, sponsor. She informed the committee that SJR 16 urges the U.S. Department of Defense (DoD) and Congress to reconsider changes proposed by the Defense Business Board, DoD, which would affect the military pension system. At this time, the military has a 20-year vesting system; however, the Defense Business Board suggests removing this provision, and making other changes. Senate Joint Resolution 16 advocates that service members who have already enlisted have the option to keep their 20-year pension that was promised at induction. Furthermore, SJR 16 supports the passage of H.R. 3520, the Keeping Our Promises Act of 2011, introduced by Congressman Don Young.

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REPRESENTATIVE LYNN disclosed a conflict of interest.

CO-CHAIR SADDLER indicated Representative Lynn would be required to vote.

CO-CHAIR THOMPSON acknowledged that a retired service member may draw retirement income for over 40 years; however, he opined it is a bad idea to deny retirement after 20 years of service to someone who has risked their life. He asked what studies show on the differences in cost and liability, or how the 401(k) plan fits in for those who transfer.

MS. KLOSTER referred to materials provided in the committee packet entitled, "Modernizing the Military Retirement System," dated 7/21/11, and prepared by the Defense Business Board Task Group. She pointed out that the ideas in the overview are not finite, and include the option of a 401(k)-style plan. The resolution does not oppose this plan, but urges that those who signed up under a 20-year plan should still have that option. Ms. Kloster offered to provide further information on costs.

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CO-CHAIR THOMPSON surmised that under a 401(k) plan, a service member could serve for five or ten years, then leave the service and roll over the 401(k) into an individual retirement account (IRA). He opined this would have a negative effect on the DoD because currently a service member must stay for 20 years to get retirement.

MS. KLOSTER called attention to page 9 of the aforementioned Defense Business Board Task Group overview and read the following:

The retirement plan is unaffordable. For each dollar of current pay, the retirement plan accrues 33 cents, for a total of \$24 billion in FY 11. ... Increases in inflation and life expectancy will further increase military retirement costs.

MS. KLOSTER said the overview discusses the costs for a number of different plans, but this information is "very preliminary" and she was unsure what type of plan would be considered, or how many service members would be "grandfathered" into a plan. She

agreed that 401(k) plans are "something that they would be able to take with them."

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REPRESENTATIVE LYNN stated that retirement age is relative to a person's experience.

CO-CHAIR SADDLER appreciated the value of the 20-year pension plan, and agreed that promises to service members should be kept; however, he suggested that service members should be offered alternatives that may better serve their interest. Some of the options proposed by the Defense Business Board are worth consideration such as credit for service of less than 20 years and for those who served hazardous or hardship duty. He concluded that this is a complicated issue with many options and cautioned that the resolution may be seen as a blanket endorsement of the 20-year program.

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CO-CHAIR THOMPSON moved to report SJR 16 out of committee with individual recommendations and the zero fiscal note. There being no objection, SJR 16 was reported from the House Special Committee on Military and Veterans' Affairs.

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ADJOURNMENT

There being no further business before the committee, the House Special Committee on Military and Veterans' Affairs meeting was adjourned at 2:02 p.m.