

HOUSE FINANCE COMMITTEE
April 14, 2022
9:02 a.m.

9:02:56 AM

CALL TO ORDER

Co-Chair Merrick called the House Finance Committee meeting to order at 9:02 a.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Kelly Merrick, Co-Chair
Representative Dan Ortiz, Vice-Chair
Representative Bryce Edgmon
Representative DeLena Johnson
Representative Andy Josephson
Representative Bart LeBon
Representative Adam Wool

MEMBERS ABSENT

Representative Ben Carpenter
Representative Sara Rasmussen
Representative Steve Thompson

ALSO PRESENT

Representative Grier Hopkins, Sponsor.

PRESENT VIA TELECONFERENCE

Gene Kalawarski, Chief Executive Officer and Principal Consulting Actuary, Cheiron; Perter Hardcastle, Actuary, Cheiron; Ronald Vigil, President, Alaska Peace Officer Association, Anchorage Chapter, Anchorage; Norm Wooten, Association of Alaska School Boards, Texas; Steve Devries, Self, Anchorage; Jan Carolyn Hardy, State President, AFSCME, Anchorage; Kathleen Yerbich, Self, Wasilla; Nathan Erfurth, President, Kenai Peninsula Education Association, Kenai; Ryan Frost, Reason Foundation, Oregon; Danielle Logan, Self, Fairbanks; Corey Aist, President, Anchorage Education Association, Anchorage; Wade Harrison, President, Local 6141, Nome; Winter Marshall-Allen, Self, Homer; Kim

Hays, Alaska AFL-CIO, Anchorage; Sandi Ryan, Self, Fairbanks; Emily Moody, Self, Cordova; Herman Becker, Self, Juneau; Sarah Campbell, Self, Ketchikan.

SUMMARY

HB 220 RETIREMENT SYSTEMS; DEFINED BENEFIT OPT.

HB 220 was HEARD and HELD in committee for further consideration.

Co-Chair Merrick reviewed the agenda for the day.

#hb220

HOUSE BILL NO. 220

"An Act relating to the Public Employees' Retirement System of Alaska and the teachers' retirement system; providing certain employees an opportunity to choose between the defined benefit and defined contribution plans of the Public Employees' Retirement System of Alaska and the teachers' retirement system; and providing for an effective date."

[9:03:31 AM](#)

Vice-Chair Ortiz MOVED to ADOPT proposed committee substitute for HB 220, Work Draft 32-LS0717\B (Klein, 04/13/22).

Co-Chair Merrick OBJECTED for discussion.

[9:04:09 AM](#)

REPRESENTATIVE GRIER HOPKINS, SPONSOR, introduced himself and indicated that he was going to explain the changes in the committee substitute (CS) through a presentation titled "HB220 CS Version B House Finance 04/14/2022" (copy on file). He wanted to address a few questions from the bill's previous hearing on March 8, 2022. He confirmed that Alaska was the only state in the nation that did not have a defined benefit system for educators. Secondly, he assured the committee that there was an analysis done which found that the vast majority of Alaska employees would be able to roll over their defined contributions to the proposed defined benefit plan.

Representative Hopkins continued to slide 2 which reflected the changes to Public Employees' Retirement System (PERS) as follows:

- Change all PERS employee contribution rates to 8-12%.
 - Public Safety was 8-10%
 - o All others PERS was 6-8%
- Public Safety retirement age now 55 years old or 20 years of service.
 - o Previously 55 years of age with 20 years of service.
- PERS All Other 60 years old with 30 years of service or 65 years old.
 - o Previously 5 years of service and 60 years of age.

Representative Hopkins continued reviewing the changes to the teacher retirement system (TRS) in the CS on slide 3 as follows:

- Change TRS contribution rate to 8-12%.
 - o Previously was 8-10%
- TRS 60 years old or 30 years of service.
 - o Previously was any age with 20 years of service or 55 years old.

[9:07:17 AM](#)

Representative Hopkins advanced to slide 4 to continue reviewing the changes as follows:

- High consecutive 5 years for pension calculator.
- Returned COLA and PRPA control to DoA Commissioner.
 - o Previous version controlled by ARM Board.
- Upon hire, all PERS and TRS starts at 8% employee contributions.

Representative Hopkins reviewed the actuarial analysis on slide 5. If a person stayed in Alaska and was eligible for a permanent fund dividend (PFD), the individual would receive a slight increase in pension adjustment. The increase was intended to encourage the dollars that were made in Alaska to stay in Alaska. In addition, the post-retirement pension adjustment (PRPA) would reflect a 10 percent adjustment if the fund was at least 90 percent

funded. He emphasized that PERS and TRS both started at eight percent contribution.

[9:09:22 AM](#)

Representative Josephson pointed to the middle bullet point regarding the Alaska Retirement Management Board (ARMB). He asked what would trigger the commissioner's decision to change the cost-of-living allowance (COLA) or PRPA. He asked if there was concern that the authority would be in the hands of a single person.

Representative Hopkins responded that COLA was already in the hands of a single person. He relayed that the Department of Administration (DOA) and the Division of Retirement and Benefits (DRB) requested that the decision-making power remain in the hands of the DOA commissioner. He wanted to ensure that risk reductions were available. If there was a downturn in the economy, he wanted to ensure that the commissioner had the authority to decide the level of adjustment. Between the PRPA and the one percent increase in the employee contribution level, there was over half a billion dollars in risk sharing options available.

[9:11:07 AM](#)

Representative LeBon asked Representative Hopkins to define the acronym "PRPA."

Representative Hopkins responded that it meant post-retirement pension adjustment. He reiterated that if the PRPA was at least 90 percent funded, the commissioner could decide to increase pensions. The increase would correlate to the COLA and be reliant on a person's eligibility for a PFD. The goal was to keep dollars circulating in Alaska.

Representative LeBon asked if the PRPA could go up or down.

Representative Hopkins responded in the affirmative.

Representative LeBon asked if the COLA could also go up or down.

Representative Hopkins responded that it was dependent on the consumer price index (CPI) for Anchorage.

Representative LeBon asked if the thinking was that the COLA would only increase. He asked if it was an inflationary adjustment.

Representative Hopkins replied that it would be an upwards trend due to the way it was structured in the bill. However, it would be based on each year individually and previous years would not be taken into account.

Representative LeBon thought it could be flat lined.

Representative Hopkins replied, "Correct."

Representative Wool asked whether PRPA was as likely to increase as COLA.

Representative Hopkins responded that the PRPA would involve an additional increase of a certain percent which was at the discretion of the commissioner.

[9:13:08 AM](#)

Representative Wool wanted to know if COLA increased, would PRPA also increase.

Representative Hopkins responded in the affirmative.

Representative Wool asked about the choice to increase TRS eligibility from 55 years of age or 20 years of service to 60 years of age or 30 years of service.

Representative Hopkins responded that it was 30 years to fully invest in medical benefits. It was a policy decision that he made to reduce the cost and the risk for the state.

Co-Chair Merrick WITHDREW the OBJECTION. There being NO further OBJECTION, the committee substitute for HB 220 (version B) was ADOPTED.

[9:15:06 AM](#)

Representative Hopkins continued his review of the actuarial analysis on slide 5. The slide depicted an analysis of version A of the bill and version B of the bill, which had been adopted. The analysis of version A had been done by Buck, which was the DOA's actuary, and the analysis of version B had been done by Cheiron, an

actuarial consulting firm. If the bill were to pass, it was projected that the state would save \$10.7 million in state contributions in fiscal year (FY) 24 and there would be an additional \$29 million dollar reduction over the following six years. He noted that PERS would continue to increase because the contribution levels were at six to eight percent. However, the changes in the adopted CS would reduce the amount the state needed to pay. The additional contributions on the bottom of the slide were based solely on the cost of healthcare. The bill would allow employees who were 65 or older and eligible for Medicare to gain access to the state's healthcare without first needing to retire. His understanding was that if he decoupled healthcare from the bill, it would be cost neutral to the state. He relayed that HB 220 would result in cost savings to the state.

Representative Wool asked for some of the terms to be defined. He also asked why TRS showed a decrease in cost on the slide.

Representative Hopkins replied that he would defer the question to a testifier from Cheiron, but the cost reduction had to do with higher contributions by employees.

[9:19:55 AM](#)

GENE KALAWARSKI, CHIEF EXECUTIVE OFFICER AND PRINCIPAL CONSULTING ACTUARY, CHEIRON (via teleconference), began the Cheiron PowerPoint presentation (copy on file). He started on slide 1 which showed an analysis summarizing the Buck numbers. He would conclude by showing Cheiron's calculations.

Mr. Kalawarski advanced to slide 2 showing the breakdown of Buck's numbers. The slide depicted the total contributions before HB 220. The solid colors represented the pension and health costs prior to HB 220. The left showed HB 220 as it was originally designed, and the right showed the bill with the eight percent contribution rate. The sum of pension and health costs on the left totaled to \$229 million, which was the bottom-line cost increase showed by Buck for FY 23 through FY 28. If the eight percent contribution rate was implemented, Cheiron had calculated that there would be no increase in pension costs.

Mr. Kalawarski moved to slide 3 which showed the impact of the original version of HB 220. He reiterated that the health increase would be eliminated, but the pension increase remained. The impact of the modifications to HB 220 were shown in the bottom right of the slide.

Mr. Kalawarski continued to the projections prior to HB 220 on slide 3. The projections assumed that the plan would earn 7.38 percent every year. It would begin at 68 percent funded in 2021 but would be 140 percent funded by 2051. The contributions from the state and employers were also projected on the slide in red and blue respectively.

[9:25:47 AM](#)

Mr. Kalawarski advanced to slide 4 which showed the projections after the implementation of HB 220 but before the 8 percent contribution rate was implemented. It would begin at 68 percent funded in 2021 but would be 110 percent funded by 2051.

Mr. Kalawarski moved to slide 5 which depicted the projections after HB 220 and after the 8 percent contribution rate. The projections were the same apart from the modification of the additional 8 percent employer contributions. The chart projected cost savings to the state through 2029.

Mr. Kalawarski continued to slide 6 which showed the projections after HB 220 and after a 12 percent contribution increase. He explained that if member contributions went up to 12 percent, the cost of HB 220 would be significantly lower. He relayed that Cheiron had also completed various stress tests to the projections, such as comparing the projections in a bear market to a bull market. In all tests, the modified version of HB 220 would be less expensive than the current situation.

[9:27:55 AM](#)

Mr. Kalawarski discussed the PRPA risk sharing impact on liabilities on slide 9. He noted that recent inflation had exceeded 8 percent. Cheiron had calculated that a one percent reduction in PRPA reduced liabilities by about \$200 million. The risk sharing tools at the disposal of the state were in excess of half a billion dollars.

Mr. Kalawarski indicated that Cheiron had consulted on at least half of the statewide pension funds in the country. He had been personally responsible for the success of various state pension funds since he began at the firm in 1988.

[9:29:45 AM](#)

PERTER HARDCASTLE, ACTUARY, CHEIRON (via teleconference), introduced himself and stated that he was available for questions.

[9:30:12 AM](#)

Representative Johnson asked whether the 7.38 percent projected yearly growth figure was given to Cheiron or was it calculated by Cheiron.

Mr. Kalawarski responded that it was the number that was currently assumed by Buck. Cheiron accepted Buck's numbers and had not had time to examine the accuracy of the projection. He had no reason to believe the figure was unreasonable.

Representative Johnson asked if 7.38 percent was the assumed rate of return.

Mr. Kalawarski replied that it was the current assumption and Cheiron's cost estimates were based on the number. They had done stress tests which showed returns different than 7.38.

Representative Johnson was trying to understand the rate of return, being that the permanent fund had a rate of return of 5.5 percent. She noted the significant difference in return rate. She asked how much risk the state would assume if the projected rate of return was not achieved.

Mr. Kalawarski indicated that most of the analysis was based on comparing the system prior to HB 220 and after HB 220 as modified. He understood that there were risks, however under the current arrangement, there were no risk sharing tools.

Co-Chair Merrick asked for copies of the different stress tests he had mentioned.

Mr. Kalawarski would get them to the committee.

[9:33:32 AM](#)

Representative LeBon understood needing to manage the risk for the state. He understood that efforts such as lowering the expected rate of return on investments and increasing the cap for employee contributions aimed to manage the risk to the state. He assumed that there was a risk of the plan becoming underfunded. He asked if Mr. Kalawarski could provide assurance that the state would not experience underfunding in the future. He asked if the plan participants would share the risk in reduced benefits should the plan become underfunded.

Mr. Kalawarski replied that under the existing arrangement, defined contribution plan members assumed 100 percent of the risk of possible underfunding. The risk under HB 220 would be not nearly as severe as the defined contributions system. A strategy to prevent underfunding that had worked in other states such as Maine was taking measures to lower the discount rate whenever there was a drop in the rate due to good performance. The strategy ensured that contributions would not have to be increased.

[9:36:14 AM](#)

Representative LeBon noted that if a private sector employee retired with a 401k and rolled it into an annuity, the employee would receive a certain payment per month in retirement. The risk of the annuity was the responsibility of the seller of the annuity who had committed to paying the employee a particular amount of money throughout the employee's retirement. He asked how a similar risk would not be internalized to the state under HB 220.

Representative Hopkins responded that there was upwards of half a billion dollars in risk sharing opportunities for ARMB to set. If the market went down and there was not enough money to pay out the employee benefits, ARMB had the opportunity to increase the employee contribution percentage which would be injected back into the system to help supplement the decline in the economy. Additionally, not distributing a PRPA or COLA would save about \$200 million. It resulted in about \$500 million that could be adjusted at the risk of the employees. Alaska had a requirement in the Constitution of the State of Alaska that

pensions to retirees could not be diminished. There were currently two actuaries looking at the analysis of ARMB to ensure that the correct numbers were being calculated. There was always a risk associated with a defined benefit plan, but the risk was long-term and leveled out over time. In about 30 years, the state would see an overfunded plan unless there was an extreme circumstance like an economic collapse.

[9:40:41 AM](#)

Representative LeBon appreciated the explanation. He suggested that there was an internalized risk to the state no matter the risk to the employee. If the state entered into a defined benefit plan, the state would have a legal obligation to protect the plan. He wanted to recognize the reality of that risk.

Representative Hopkins responded that Representative LeBon was correct. The root cause of the bill was the issue of retention and recruitment and the impacts it had on the performance of students and the overall performance of the state. The bill could offset these issues, which imposed a threat to the wellbeing of the state. There were studies that showed a direct causation between reductions in teacher retention and student performance. He agreed that there was a risk to the state constitutionally but wondered if that risk outweighed the continued decline in performance and retention in schools.

[9:42:43 AM](#)

Representative Wool touched on the topic of risk. He agreed that there was risk in doing nothing because the issue of recruitment and retention needed to be addressed. He also noted the cost burden of retraining new employees due to a lack of retention. He suggested that the cost of training and was not included in any of the calculations.

Representative Hopkins replied in the affirmative.

Representative Wool thought that if economic times were hard, employees would be required to contribute more monies to make up for the loses. The benefit amount could also be reduced. He thought this would mean that employees would pay more and receive less.

Representative Hopkins indicated employees would pay more, however it was not permitted to distribute a lower check to the employees than what was in statute. The check could not be lowered but the check would also not be increased.

Representative Wool asked for more information regarding additional health costs. He wondered if there was a health plan once employees turned 65 or would they be fully reliant on Medicare.

Representative Hopkins answered that the bill did not have a healthcare plan component. The defined benefit contribution for Tiers 3 and 4 TERS employees would not change. There was a sliding scale once the employee turned 65 and the employee would pay a certain amount of the insurance premium. The system in place would not be altered by the bill. The change proposed by the bill was to allow employees aged 65 or older to collect health benefits without needing to retire. He explained that employees who retired before turning 65 would no longer be required to pay a monthly premium until they turned 65. However, if this element was decoupled from the bill, it would save the state money. He was amenable to the change if it was desired.

[9:48:04 AM](#)

Representative Wool asked for the definition of a discount rate and for examples of the contribution rate of other states such as Maine.

Mr. Kalawarski responded that every pension fund contribution and investment income had to pay for all benefits and expenses. The discount rate examined the expected amount of investment earnings. If 7.38 percent earnings were assumed, the contribution amount would correlate appropriately. If 10 percent earnings were assumed, the contribution amount would be reduced. If earnings were lower than 7.38, the contribution amount would be higher. It was what was expected to be earned.

Representative Wool asked for Maine's contribution rate.

Mr. Kalawarski replied that since 1986 it had been between 15 and 20 percent.

Representative Wool clarified that the rate proposed for Alaska was between 8 and 12 percent.

Mr. Kalawarski responded that was the correct member contribution. The 15 to 20 percent rate was what the state would pay.

Representative Wool asked what the member contribution was in Maine.

Mr. Kalawarski responded that it varied by group. He estimated that it ranged from 5 percent to 8 percent.

Representative Hopkins expounded that Buck's analysis (copy on file) on page 3, line 7 stated that the state's contribution rate into the fund was currently 25.65 percent. The previous version of HB 220 (version A) would have seen an increase of the state's contribution of 0.79 percent. The increase had been estimated before the employee contribution had been increased to 8 percent. He had not had the 0.79 number adjusted and reevaluated but he planned to do so. The goal was that 0.79 would decrease to a negative number. The proposed 8 percent contribution rate would lower the yearly payments for TRS. He hoped to see it mirrored in PERS as well.

[9:52:15 AM](#)

Vice-Chair Ortiz thought the discussion was broad. He asked if Representative Hopkins had already informed the committee of the number of states that currently did not have a defined benefit program for teachers.

Representative Hopkins indicated Alaska was the only state without a defined benefit for teachers.

Vice-Chair Ortiz mentioned he was sent a picture of a teacher recruitment fair in another state and there were more recruiters than applicants. The bill would help to make Alaska more competitive in what was an extremely competitive market. He thought the state had to become competitive to attract teachers. He hoped better outcomes would result from the passage of the bill.

[9:55:17 AM](#)

Representative Johnson agreed that it was vital to have better outcomes and better education for the children of Alaska. She asked if there was a comparative chart showing that a defined benefit plan led to better outcomes. She questioned whether defined benefits were working in other states considering other states also were experiencing recruitment and retention issues.

Representative Hopkins indicated Alaska also had job fairs for teachers and the number of applicants had been dropping. He had spoken with many teachers and administrators who had identified the lack of a defined benefits plan as a key driver for reduced retention and recruitment. He relayed that teachers, firefighters, and other public employees indicated they were leaving the state because of a lack of financial incentives. Multiple studies done by DOA indicated that the lack of a defined benefit plan was one of the top three reasons for teachers leaving the state. He thought that offering a defined benefit plan was the number one thing legislators could reasonably do to keep teachers in the state.

Representative Johnson suggested that the "grand exit" of employees was difficult to pin on the lack of defined benefits. She would have to do additional research.

Representative Hopkins agreed that it was exacerbated by the "great resignation" currently taking place across the nation. However, it was not a new issue and did not come about due to the great resignation. The problem had been getting worse over the past 15 years.

[9:59:30 AM](#)

Representative LeBon understood the motivation of legislators 15 years ago to pivot to a defined contribution plan based roughly on the private sector. He thought that a defined benefit program represented a decades-long promise to employees. He asked if the discount rates of other states had been examined. He suggested splitting the difference and offering a discount rate closer to 6.75 percent. He asked what it might look like if the long-term expectation for returns was reduced.

Mr. Kalawarski responded that the discount rate was decided by ARMB and its advisors. He noted that Maine's discount rate was at 6.5 percent, but no matter the discount rate,

the current program costs would also be impacted before HB 220 and would also be impacted after HB 220. The result would be similar, but the program costs would be higher with a lower discount rate.

[10:02:30 AM](#)

Representative Wool noted the significant discussion about Alaska being the only state without a defined benefit plan. He wondered if there was a trend for states to offer defined contribution plans and then return to defined benefit plans. He asked if there had been a pendulum swing and thought that it was typical for Alaska to be behind the pendulum swing.

Mr. Kalawarski responded that there was a pendulum swing in the 1990s. For example, West Virginia had offered defined contribution plans in the 90s but had returned to a defined benefit plan. The most recent state to change to defined contribution was Oklahoma. Other states had a combination of defined benefit and defined contribution plans that allowed employees to make the choice for themselves.

Representative Wool asked how much of the pendulum swing back to defined benefits was due to economics and how much was due to functionality and the resulting difficulty in employee retention.

Mr. Kalawarski replied it was a combination of factors, but economics were partially responsible. Investment fees associated with defined contribution plans that were absorbed by the investment industry dwarfed the fees that were paid to defined benefit plans. It was in the interest of the investment industry to lobby legislators to change to a defined contribution plan.

[10:05:32 AM](#)

Co-Chair Merrick OPENED public testimony.

RONALD VIGIL, PRESIDENT, ALASKA PEACE OFFICER ASSOCIATION, ANCHORAGE CHAPTER, ANCHORAGE (via teleconference), spoke in support of HB 220. He emphasized the importance of recruiting law enforcement officers and educators in the state. Employees that had been with the state for decades were promised specific benefits since 2006. After 2026, the state stood to lose a number of Tier 3 employees. He wanted

to offer a defined benefit plan for peace officer employees. He appreciated the committee for hearing the bill and reiterated his support.

[10:08:04 AM](#)

NORM WOOTEN, ASSOCIATION OF ALASKA SCHOOL BOARDS, TEXAS (via teleconference), spoke in support of HB 220. The teacher shortage was a problem not only in Alaska, but across the nation. However, it was particularly severe in Alaska. The current teacher workforce was getting close to retirement and there were not enough new teachers to replace them. Additionally, young teachers were leaving for positions outside of Alaska and the current defined contribution system was to blame. It appeared that the proposed bill would be cost neutral for the state. He reiterated his support for the bill.

[10:09:39 AM](#)

STEVE DEVRIES, SELF, ANCHORAGE (via teleconference), supported the passage of HB 220. He was a state employee and retired from state service after 20 years. He had personal experience with recruitment and retention difficulties after 2006. He relayed that after 2006, the quality of applicants decreased, and retention became a significant issue. It was difficult to compete with the private sector which could offer a much higher salary. There was little or no incentive for employees to stay in state jobs without a proper pension plan. Poor recruitment and retention also resulted in a loss of institutional knowledge. Existing staff were required to constantly train and retrain new hires as they came and went as well as cover work that would have otherwise been assigned to employees in vacant positions. The use of outside counsel become more of an acute need. He thought HB 220 would benefit the state especially if the cost would remain neutral for the state.

[10:12:49 AM](#)

JAN CAROLYN HARDY, STATE PRESIDENT, AMERICAN FEDERATION OF STATE, COUNTY & MUNICIPAL EMPLOYEES, ANCHORAGE (via teleconference), supported HB 220. The impact of an insecure retirement system was often only understood when a person reached the age of 70. The promise of social security did not last for public employees, which he

identified as the first loss. The second loss was when stock market volatility greatly impacted defined compensation employees. The lure of Alaska only went as far as the ability to secure a solid retirement in old age. She emphasized that HB 220 was cost neutral, and the risk was shared between the state and the employee. Additionally, HB 220 provided a choice to employees between defined benefit and defined contribution plans. She urged support of HB 220.

10:15:09 AM

KATHLEEN YERBICH, SELF, WASILLA (via teleconference), spoke in support of HB 220. After working as a teacher for the state for 20 years, she would receive \$852 per month after retirement. She checked her social security account and was informed that because she was a teacher in Alaska, she would not receive all the monies in her account. She had several jobs that required her to pay into social security, but she was being penalized for being a teacher. She had been speaking and writing letters to the state for years about the issue and would continue until the punitive system was dismantled. She asked members to pass HB 220.

10:17:31 AM

NATHAN ERFURTH, PRESIDENT, KENAI PENINSULA EDUCATION ASSOCIATION, KENAI (via teleconference), urged support for HB 220. He noted Alaska was the only state that did not have a defined benefit plan for its teachers. He argued that districts could not compete because of the current system in place. He noted that high teacher turnover rates where experienced teachers were retiring and new teachers were repeatedly being replaced would naturally lead to worse testing outcomes for students. It impacted the state because a strong education system made for a strong workforce and economy. Alaska needed to support the teachers responsible for educating its children. He suggested that the state needed to take on the risk that had been offloaded onto students.

10:19:47 AM

RYAN FROST, REASON FOUNDATION, OREGON (via teleconference), spoke in opposition of HB 220. He thought the Cheiron analysis was incomplete. He suggested that more tests should be done to examine potential outcomes. He wondered

how costs would increase to the state and thought that the projections were too optimistic. He argued that implementing the system at a lower contribution rate would be more reasonable. He challenged the notion that a pension was what kept employees in their jobs.

[10:23:19 AM](#)

DANIELLE LOGAN, SELF, FAIRBANKS (via teleconference), spoke in support of HB 220. She thought that educators hired after 2006 were uniquely vulnerable. She argued that the state had experienced low-quality educators due to difficulty in recruitment and the quality would improve with the passage of the bill. There was a trend that showed that the schools with the highest turnover rates in the state had the worst student reading scores. There needed to be more stability for teachers and retirement security would contribute to the retention of educators. She thanked members for supporting HB 220.

[10:25:59 AM](#)

COREY AIST, PRESIDENT, ANCHORAGE EDUCATION ASSOCIATION, ANCHORAGE (via teleconference), indicated that he represented all certified educators in Anchorage's schools apart from principals. He supported HB 220. Alaska had been plagued with recruitment and retention difficulties. He noted that Anchorage had over 100 unfilled teaching positions and many unfilled support staff positions. He argued that he repeatedly heard from educators that fixing the retirement system was the number one issue in the state. He strongly urged members to support HB 220.

WADE HARRISON, PRESIDENT, ALASKA PUBLIC EMPLOYEES ASSOCIATION LOCAL 6141, NOME (via teleconference), spoke in support of the bill. He reported that 88 employees had turned over in Nome since 2019. Teachers were not retiring from Nome anymore and the district was simply a training ground for other states. He asked members to consider HB 220.

[10:30:40 AM](#)

AT EASE

[10:31:32 AM](#)

RECONVENED

WINTER MARSHALL-ALLEN, SELF, HOMER (via teleconference), thanked Representative Hopkins for bringing HB 220 forward. She had been a teacher for 15 years and has taught in Alaska for seven years. She had previously taught in a state with a defined benefit plan. She had thought about leaving the education profession entirely due to the difficult conditions for educators in Alaska. There was a dire need for stability from the state and the state needed to reciprocate support to educators who invested in the state. She spoke of retention issues with educators and peace officers. She thought the legislature could have a significant impact by passing HB 220.

[10:34:35 AM](#)

KIM HAYS, ALASKA AFL-CIO, ANCHORAGE (via teleconference), spoke in support of HB 220. She shared that one of the core values of the union was dignity of life in post-employment. There were public employees contemplating leaving the state in order to obtain a job that provided a secure retirement. She emphasized that the retirement system was in jeopardy and the state was not treating its public employees well. She emphasized the cost neutral nature of the bill. The state was losing money and talent due to an unprecedented recruitment and retention crisis. She strongly supported HB 220 and urged members to move the bill out of committee.

[10:37:48 AM](#)

SANDI RYAN, SELF, FAIRBANKS (via teleconference), has been a teacher in Fairbanks for 28 years. She thought there was a lack of understanding of the guaranteed risk of not having quality teachers in the state. She relayed that when she first applied for a teaching position in Alaska 30 years ago, there was not a single opening. Now, there were many teaching positions that had been unfilled for an extended period of time. She thought the grim reality of the state of retirement for new teachers was heartbreaking. The state was training teachers but quickly losing them to more lucrative opportunities in states with secure retirement plans. She urged support of HB 220.

[10:39:53 AM](#)

EMILY MOODY, SELF, CORDOVA (via teleconference), spoke in support of HB 220. She had been teaching in the state for 11 years and was a Tier III employee. She felt that the

bill was a fix for Alaska's broken retirement system and would improve retention and recruitment. She had recently read an article that stated that many teachers were drawn to the profession because of stable retirement plans usually involving defined benefits. Reading the article brought her to tears because she was reminded that Alaska was the only state that did not have a defined benefit plan and teachers were denied access to social security. Teachers in the state did hard work with the most vulnerable population in a state with the highest cost of living and received very little in return. There was no guarantee of being able to retire with dignity. She relayed that 73 percent of teachers would likely outlive their retirement savings. The turnover rate cost the state millions of dollars in training and hurt student achievement. It took an amazing amount of time, training, and dedication to be a successful teacher. The passage of the bill would allow her to no longer need to consider packing up her family and moving away from Alaska. She urged the passage of the bill.

[10:43:23 AM](#)

HERMAN BECKER, SELF, JUNEAU (via teleconference), spoke in support of HB 220. He and his wife were teachers in Juneau. He thought that the state was spending significant time, energy, and money to train new teachers only to lose them. He provided some details of his teaching career in Alaska. He did not fully understand the weight of being a Tier III employee when he began teaching in the state. He spoke about how much he loved teaching and expressed that most mornings when he was getting ready for work, he was excited to go. He urged support of HB 220. He hoped he would be able to stay in Alaska.

[10:47:14 AM](#)

SARAH CAMPBELL, SELF, KETCHIKAN (via teleconference), supported HB 220. She was a lifelong Alaskan and had been a teacher for 22 years. She believed strongly that students needed and deserved the best teachers they could get. She thought the bill would go a long way in motivating teachers to stay in the state. She had contemplated leaving Alaska due to the instability of her retirement account, but she wanted to stay. She spoke of the difficulty of recruiting Alaska State Troopers as well due to the lack of a stable retirement plan. She thought HB 220 was essential

legislation for the state. She thanked members for their energy and time on the bill.

Vice-Chair Ortiz thanked Ms. Campbell for her testimony. He shared that Ms. Campbell had been a student of his in Ketchikan.

[10:50:26 AM](#)

Co-Chair Merrick CLOSED public testimony.

Co-Chair Merrick indicated amendments for HB 220 were due by noon on Tuesday, April 19, 2022. She thanked the presenters and reviewed the agenda for the afternoon meeting.

[10:51:16 AM](#)

Representative LeBon commented that there was an analysis from Buck in the committee packets. He wondered how to request a "Monte Carlo analysis" that assumed a 6.5 percent discount rate rather than the proposed 7.38 percent.

Co-Chair Merrick had already requested the information from the bill sponsor and would distribute it.

HB 220 was HEARD and HELD in committee for further consideration.

ADJOURNMENT

[10:52:16 AM](#)

The meeting was adjourned at 10:52 a.m.