

ALASKA STATE LEGISLATURE
HOUSE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

January 24, 2023

8:15 a.m.

MEMBERS PRESENT

Representative CJ McCormick, Chair
Representative Kevin McCabe, Vice Chair
Representative Tom McKay
Representative Josiah Patkotak
Representative Justin Ruffridge
Representative Rebecca Himschoot
Representative Donna Mears

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Representative Calvin Schrage

COMMITTEE CALENDAR

HOUSE BILL NO. 22

"An Act relating to participation of certain peace officers and firefighters in the defined benefit and defined contribution plans of the Public Employees' Retirement System of Alaska; relating to eligibility of peace officers and firefighters for medical, disability, and death benefits; relating to liability of the Public Employees' Retirement System of Alaska; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 22

SHORT TITLE: PEACE OFFICER/FIREFIGHTER RETIRE BENEFITS

SPONSOR(S): REPRESENTATIVE(S) JOSEPHSON

01/19/23	(H)	PREFILE RELEASED 1/9/23
01/19/23	(H)	READ THE FIRST TIME - REFERRALS
01/19/23	(H)	CRA, STA, L&C, FIN
01/24/23	(H)	CRA AT 8:00 AM BARNES 124

WITNESS REGISTER

REPRESENTATIVE ANDY JOSEPHSON
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced HB 22, as the prime sponsor.

ANNELIESE ROBERTS, Staff
Representative Andy Josephson
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 22, on behalf of Representative Josephson, prime sponsor.

DOMINIC LOZANO, President
Alaska Professional Fire Fighters Association
Juneau, Alaska

POSITION STATEMENT: Provided a PowerPoint presentation on the cost of maintaining the status quo during the hearing on HB 22.

CHARLES KOPP, Owner
Winfluence Strategies
Anchorage, Alaska

POSITION STATEMENT: Provided invited testimony during the hearing on HB 22.

ACTION NARRATIVE

[8:15:19 AM](#)

CHAIR CJ MCCORMICK called the House Community and Regional Affairs Standing Committee meeting to order at 8:15 a.m. Representatives McKay, Patkotak, Ruffridge, Himschoot, Mears, McCabe, and McCormick were present at the call to order.

CHAIR MCCORMICK invited each committee member to briefly provide a personal introduction.

HB 22-PEACE OFFICER/FIREFIGHTER RETIRE BENEFITS

[8:19:49 AM](#)

CHAIR MCCORMICK announced that the first order of business would be HOUSE BILL NO. 22, "An Act relating to participation of certain peace officers and firefighters in the defined benefit and defined contribution plans of the Public Employees'

Retirement System of Alaska; relating to eligibility of peace officers and firefighters for medical, disability, and death benefits; relating to liability of the Public Employees' Retirement System of Alaska; and providing for an effective date."

8:20:40 AM

REPRESENTATIVE ANDY JOSEPHSON, Alaska State Legislature, introduced HB 22, as the prime sponsor. He paraphrased the sponsor statement [included in the committee packet], which read as follows [original punctuation provided]:

HB 22 creates a new hybrid retirement plan option for state and municipal peace officers and firefighters under the Alaska Public Employees' Retirement System (PERS) with new protections for the state against unforeseen future liabilities.

Alaska ended the Defined Benefit Plan in 2006 after discovering that the accounts were too underfunded to meet anticipated retiree obligations. Since these plans were eliminated, one of Alaska's greatest public safety challenges has become employee retention and recruitment. Alaska is one of the few jurisdictions that does not presently offer a defined benefit retirement for new public safety employees. Additionally, many municipal public employees do not participate in Social Security or the Supplemental Annuity Plan (SBS-AP). HB 22 is crafted to retain and attract quality peace officers and firefighters while protecting the state from unnecessary financial risks in the future.

The proposed option would allow future peace officers and firefighters under the PERS system and current ones under the PERS Tier IV plan to join the defined benefit plan. The proposal includes several safeguards modeled after the most fiscally responsible plans in the nation. These safeguards provide stability and would provide the state with fiscal certainty about its ability to maintain adequate funding for this plan into the future. These provisions include a minimum retirement age of 55 with 20 years of service, flexibility setting employee contribution rates, minimum 12 percent employer contribution rates, mechanisms to prevent costly "pension spiking," and

the ability to withhold post-pension retirement adjustments should the plan's funding drop below 90 percent. This hybrid tier will closely mirror Tier III of PERS for public safety employees, with the exception of two cost saving measures: the continued inclusion of the Tier IV Defined Contribution Retirement health reimbursement arrangement (HRA) and the absence of cost-of-living adjustments.

HB 22 is a step toward making Alaska more attractive to public safety employees. The nature of the jobs that peace officers and firefighters hold are unique, physically demanding, and hazardous compared to other public employees, and all Alaskans pay the cost for understaffed public safety agencies.

[8:26:48 AM](#)

REPRESENTATIVE JOSEPHSON discussed prior efforts to reform the retirement plan for public safety employees in Alaska. He detailed House Bill 55, which he sponsored during the Thirty-Second Alaska State Legislature, emphasizing the bipartisan support for the legislation. Ultimately, he said, the bill "died" in the Senate Finance Committee, as there was not enough time left in the legislative session to pass it out of committee and on to the Senate floor. He noted that HB 22 was identical to House Bill 55 except for one change. Further, he characterized the bill as "conservative," as it posed no threat to the existing unfunded liability.

[8:33:53 AM](#)

REPRESENTATIVE JOSEPHSON explained that currently, the state's unfunded liability was paid based on a per-capita calculation of all public employees; additionally, the state and city governments "steered" money towards the unfunded liability to drive it down. He indicated that under HB 22, the cohort of individuals covered by the plan would also be paying off the unfunded liability; however, two percent of what they would have otherwise paid would be shifted back to their pension trust. He acknowledged that these individuals did not themselves create the unfunded liability; therefore, the proposed legislation sought to lift their burden by moving a small percentage to their retirement trust, which would have otherwise gone towards the unfunded liability. As a result of this shift, it would take the state six months longer to pay off the existing unfunded liability, resulting in a fiscal note of \$5 million to

\$6 million. He posited that the current practice of training new people [due to poor retention and high rates of turnover] eclipsed the cost of the fiscal note "with great ease."

[8:39:46 AM](#)

REPRESENTATIVE JOSEPHSON concluded by discussing the constitutionality of creating a new retirement plan for public safety employees. He assured the committee that the public employees had always been treated differently in terms of their retirement system. He indicated that, ultimately, it was a policy call for the legislature to make. He cited a memo from Legislative Legal Services that supported this position.

CHAIR MCCORMICK invited questions from committee members.

[8:43:54 AM](#)

REPRESENTATIVE MCCABE requested the data that put the cost of training for each firefighter at \$200,000. He contended that it did not cost \$200,000 to train a 747 pilot.

REPRESENTATIVE JOSEPHSON offered to provide the data.

REPRESENTATIVE MCCABE said, "I mean actual data, not just PowerPoint slides. Do you have actual data from the state or even from the firefighters ... that says it takes that amount of money?"

REPRESENTATIVE JOSEPHSON answered yes and offered to follow up with the requested information. He clarified that he had reported the cost of training at \$100,000 to \$200,000.

REPRESENTATIVE MCCABE asked whether the 20 years of service included time spent working [as a public safety employee] in another state.

REPRESENTATIVE JOSEPHSON shared his belief that the Division of Retirement and Benefits (DRB), Department of Administration (DOA), in combination with each agency, would compute a unique calculation for each employee. He conveyed that the stakeholders believed that the retirement age should be reduced to 50 due to the hardship on their bodies. He welcomed further discussion on that issue.

[8:47:10 AM](#)

REPRESENTATIVE MEARS inquired about the proportionality between age of retirement and length of service. She sought to confirm that anyone with 5-20 years of service would retire at age 65, whereas a person with 20-plus years of service could retire at age 55.

REPRESENTATIVE JOSEPHSON answered, "Correct."

REPRESENTATIVE RUFFRIDGE asked what would stop an employee under the proposed retirement system from receiving a pension at age 60 and still choosing to leave [the state.]

REPRESENTATIVE JOSEPHSON asked Representative Ruffridge to restate the question.

[8:48:44 AM](#)

REPRESENTATIVE RUFFRIDGE shared his understanding that under the current defined contribution plan, employees were choosing to leave after becoming vested at the five-year mark. He suggested that under HB 22, an individual could also leave after five years while still being credited with a pension at age 60.

REPRESENTATIVE JOSEPHSON acknowledge the accuracy of Representative Ruffridge's statement; however, he said it would be "horrible" financial planning on the individual's behalf.

REPRESENTATIVE RUFFRIDGE asked the bill sponsor why it would be a bad decision to leave after five years.

REPRESENTATIVE JOSEPHSON responded that the benefit for five years of service would not be significant.

REPRESENTATIVE MEARS pointed out that a person's retirement benefit was proportional to length of service.

[8:49:59 AM](#)

REPRESENTATIVE MCKAY stated his support for public service employees. He asked whether this cohort of employees underwent a third-party exit interview process that verified their reasons for leaving the state. He expressed a desire to authenticate the statement that people were leaving because of the retirement plan.

REPRESENTATIVE JOSEPHSON stated that the data existed in the Department of Public Safety (DPS) reports, which he offered to

provide to the committee. He added that collectively, the data supported the anecdotal information [that public safety employees were leaving because of the existing retirement system].

[8:52:04 AM](#)

REPRESENTATIVE MCCABE directed attention to Section 21 of the bill, which provided that a terminated employee who first became a member after June 30, 2006, would be eligible for a normal retirement benefit. He inquired about the retroactive component for firefighters who left the state during that 16-year period.

REPRESENTATIVE JOSEPHSON stated that there would be a 90-day window in which the state invited a transition from Tier IV to Tier V. He shared his understanding that a person who left in 2016 would not be eligible to claim a defined benefit without reapplying for inactive service.

REPRESENTATIVE MCCABE anecdotally reported that Tier I employees had returned to state employment after 25 years to qualify for the retirement and benefits. He asked whether HB 22 would account for a similar situation. Additionally, on the topic of constitutionality, he asked what would stop teachers from suing the state for equal benefits.

REPRESENTATIVE JOSEPHSON pointed out that a former employee who wanted to return to state service would need to prove that he/she could still be an effective public safety officer. He emphasized that the bill had been vetted by both the firefighter's actuary, William ("Flick") Fornia, and the state's actuary, [Buck Global LLC]. In response to the question regarding the potential for teachers to sue the state, he said, "you can sue over anything." He highlighted a disincentive for suing, known as, "Rule 82," which speaks to the risk of losing and paying for the other side's attorney fees. He assured committee members that if teachers were to bring litigation against the state, the state would assign an assistant attorney general to fight the case, "and they would win," he said.

[8:58:39 AM](#)

REPRESENTATIVE MCKAY suggested that the bill, should it pass, would open the door for all state employees and teachers in the state of Alaska to demand the same benefits, which would be a tremendous financial burden on the state, he said. For that reason, he stated that he was hesitant to advance the bill.

REPRESENTATIVE JOSEPHSON clarified that the 22,000 figure, [which captured the total number of state employees], included teachers. Further, he emphasized that teachers were already demanding better benefits, indicating that the proposed legislation wouldn't change anything in that regard.

[9:01:16 AM](#)

REPRESENTATIVE HIMSCHOOT, in response to Representative McKay, estimated a total of 13,000 teachers in Alaska. She remarked that the education sector was facing the same issues as the public safety sector. She inquired about the purpose of "age 60 with 5 years of credited service, as opposed to just having age 55 with 20 years of service."

REPRESENTATIVE JOSEPHSON was unsure of the answer. He shared his understanding that age 60 with 5 years of service was, effectively, the "floor." He deferred to his staff, Anneliese Roberts.

[9:02:35 AM](#)

ANNELIESE ROBERTS, Staff, Representative Andy Josephson, Alaska State Legislature, on behalf of Representative Josephson, prime sponsor of HB 22, clarified that an employee would become fully vested after five years of service.

REPRESENTATIVE HIMSCHOOT surmised that an employee could work a minimum of five years at any point in his/her life; however, that individual would not receive any benefit until age 60.

MS. ROBERTS answered yes.

[9:03:12 AM](#)

REPRESENTATIVE MCCABE asked whether a state could declare bankruptcy under [Chapter 9, Title 11, of the United States Code (U.S.C.)].

REPRESENTATIVE JOSEPHSON said he did not know the answer.

REPRESENTATIVE MCCABE shared his belief that the question was germane because defined benefit plans had driven many companies into bankruptcy.

REPRESENTATIVE HIMSCHOOT pointed out that the state was not a company.

REPRESENTATIVE MCCABE agreed; however, similar to a large company, he said, the state was a financial entity that paid employees money. He asked how Alaska would reconcile if the proposed retirement plan, in addition to the existing unfunded liability, became too burdensome.

REPRESENTATIVE JOSEPHSON asserted that the scenario posed by Representative McCabe would never come to pass, as the plan had been vetted multiple times. He reiterated that HB 22 was more modest than Tier III and included levers, which would require retirees and active workers to increase payments to the system. He said it was highly unlikely that the proposed legislation would create fiscal instability.

[9:07:03 AM](#)

MS. ROBERTS presented a PowerPoint presentation, titled "House Bill 22." She highlighted noteworthy sections in the bill on slide 2, which read as follows [original punctuation provided]:

Section 14: Allows employee contribution rate to be increased from 8% to 10% if needed.

Section 18: Sets employer contribution at 22%- 12% to employee and 10% remaining to unfunded liability.

Section 21: Establishes age of retirement at 55 years with 20 years of service or 60 years with 5 years of service.

Section 25: Allows for the post retirement pension adjustment to be withheld in the plan if unfunded liability on the new tier is greater than 10%.

Section 29: New section outlines medical benefit eligibility for the new tier.

Section 30: Outlines the "high five" rule for the new tier.

Sections 35 and 36: Uncodified sections that outline process for current employees to buy in to the new tier.

[9:08:17 AM](#)

MS. ROBERTS continued to slide 3, which illustrated the history of legislation put forward to address the "public safety pension fix." Slide 4 detailed Tier IV, which read as follows [original punctuation provided]:

401(a) is made up of 13% of payroll: Employee=8%,
Employer=5%

HRA = 3% of average PERS salary

Medicare coverage with 25 years of service for Public
Safety

Disability similar to Tier III

***Most municipal employees not covered by Social
Security or SBS***

[9:08:55 AM](#)

MS. ROBERTS proceeded to slide 5, which pictured a tabled comparison of existing Tiers. Slide 6 featured media headlines to emphasize the retention issues with Tier IV. The headlines read: "Police union urges city action amid dwindling number of officers;" "OPINION: First responder retirement reforms will help Alaska retain talent, save money;" and "With Alaska struggling to hire, state legislators consider revived pension plans for public employees."

[9:09:36 AM](#)

MS. ROBERTS listed additional issues with Tier IV retirement on slide 7, including: recruitment difficulties, retention costs, workers' compensation costs, operational capabilities, and unforeseen costs. She conveyed further inadequacies of Tier IV on slide 8, which read as follows [original punctuation provided]:

William Fornia of Pension Trust Advisors says Tier 4 will replace 31% of income after 25 years.

DOA estimated 38.5% income replacement-Used a fixed time frame of 30 years.

Bob Mitchell, the CIO of the State of Alaska put the probability of a 25-year Public Safety employee replacing 70% of income for 30 years at 6% and a 30-year employee at 22%.

[9:10:25 AM](#)

MS. ROBERTS, referring to slide 9, noted that HB 22 would affect the 2,358 peace officers and firefighters, as opposed to all 22,129 state employees. She highlighted cost containment measures in HB 22 on slide 10, which read as follows [original punctuation provided]:

Reduces benefits significantly from Tier III

Plan built on more conservative assumptions with reasonable costs

Requires a steady level of contributions from both employee and employer

Includes mechanisms for dealing with adverse experience

Shares risk between employees, employers, and retirees

[9:11:25 AM](#)

MS. ROBERTS referred to slide 11 and listed the following benefit reduction in Tier V: No pre-Medicare coverage; elimination of the 10 percent COLA [cost of living adjustment] on pensions; final calculation based on five years as opposed to three years; requires a minimum age of 55 with 20 years of service to collect benefits. She concluded by outlining best practices on slide 12, which read as follows [original punctuation provided]:

Built on a lower expected rate of return-7%

Require steady contribution from employees and employers

Allow the employee contribution to go up to 10% but not fall below 8%

Allow the PRPA (inflation proofing) to be withheld when funding falls below 90%

Replicates Tier IV defined contribution medical

Reasonable employer costs

CHAIR MCCORMICK invited questions from committee members.

[9:12:34 AM](#)

REPRESENTATIVE MCCABE shared his understanding that at age 65, a Tier I retiree was covered by Medicare. He asked whether that would stand under HB 22 and sought clarification on the gap in benefits that the bill sponsor had referenced.

REPRESENTATIVE JOSEPHSON considered the example of a firefighter who began working at age 22. He explained that at age 42, the firefighter would need to wait 13 years to draw retirement. He stated that the bill would not solve the retirees' health insurance problem; it would, however, act as a gesture towards finding a solution.

REPRESENTATIVE MCCABE inquired about [the average monthly compensation based on the highest five consecutive payroll years during the employee's career] and asked whether the purpose was to smooth or reduce the average.

REPRESENTATIVE JOSEPHSON indicated that in contrast to the "high three," the "high five" rule was generally a cost reducer and a method for retaining workers, as it would disincentivize an employee from leaving after peak earnings.

[9:16:11 AM](#)

REPRESENTATIVE RUFFRIDGE, referring to medical coverage, asked whether an employee could stay enrolled in the state plan after retiring if he/she paid for the cost of the plan.

REPRESENTATIVE JOSEPHSON confirmed. He added that the employee's HRA might pay for three years of premiums; however, the employee would need to find another job or be added onto a spouse's plan if he/she wanted to maintain coverage.

REPRESENTATIVE RUFFRIDGE sought to confirm that the gap in benefits still existed at age 55 or 60; however, the employee could draw from retirement to pay for premiums. He asked whether that was correct.

REPRESENTATIVE JOSEPHSON acknowledged that it was a possibility, but paying for premiums would drain the employee's retirement plan.

REPRESENTATIVE RUFFRIDGE pointed out that the proposed legislation would encourage retired public safety employees to find another career in state service to gain access to health coverage [during the gap years]. He described this as "the career after the career."

[9:20:58 AM](#)

REPRESENTATIVE HIMSCHOOT sought to confirm that there was evidence of public safety workers leaving because of the current retirement and benefits plan. She asked the bill sponsor to distribute the supportive data to the committee.

REPRESENTATIVE JOSEPHSON offered to follow up with the requested information.

[9:21:39 AM](#)

The committee took an at-ease from 9:21 p.m. to 9:24 p.m.

[9:24:27 AM](#)

CHAIR MCCORMICK introduced invited testifier, Dominic Lozano.

[9:24:39 AM](#)

DOMINIC LOZANO, President, Alaska Professional Fire Fighters Association, directed attention to a PowerPoint presentation, titled "Costs of Maintaining the Status Quo." He believed that Alaska was in this position today because of the unfunded liability. He explained that initially, the defined contribution retirement system was believed to be a portable option for public safety workers; however, shortly after 2006, a significant number of employees began to leave the state, which was negatively impacting important factors, like the number of experienced officers and time on the job. He indicated that the decrease in retention and recruitment started to create a hole, or "hollowing out." He cited a study conducted in 2020 by DPS, which looked at why people were leaving the state. He reported that retirement was among the top reasons. He directed attention to slide 2, which listed the following unintended consequences of Tier IV for public safety: recruitment

difficulties, retention costs, workers compensation costs, and unforeseen costs.

[9:28:16 AM](#)

MR. LOZANO referred to slides 3 and 4, which featured statements from police and fire chiefs that highlighted issues with recruitment and retention. Slides 3-4 read as follows [original punctuation provided]:

RECRUITMENT DIFFICULTIES

"Alaska cannot compete with agencies offering defined benefit plans. This has left us with vacancies in multiple academies as applicants decide to pursue careers elsewhere." - *APD Police Chief Justin Doll, Ret.*

"The number of individuals wanting to work at the Fairbanks Fire Department has declined drastically over the last several years" - *FFD Fire Chief Jim Styers*

Our firefighter alumni populate most Alaska career fire departments. The 42 young men and women in my program are far more aware of financial planning and retirement concerns than I was at their age. It is troubling that the majority of them are testing and interviewing for jobs in other states." - *Former UFD Fire Chief Doug Schrage*

RETENTION

"... the inability to provide a defined benefit retirement system have placed the department at critically low staffing levels." - *DPS Recruitment and Retention Plan Overview 2018-2023*

"We are seeing our highly trained, qualified, and experienced officers leave APD to work out of state for other law enforcement agencies offering competitive defined benefit retirement systems." - *APD Police Chief Justin Doll*

"The turnover of career staff appears to be higher... compared with other clients. Turnover not only has a financial effect on the department, but it also loses

valuable experience." - *Fitch & Associates consultant report Capital City Fire and Rescue*

MR. LOZANO indicated that the new hybrid retirement plan option proposed in HB 22 was constructed from best practices in other states.

[9:32:00 AM](#)

MR. LOZANO conveyed that one of the unforeseen consequences of Tier IV was that it created older public safety officers. He detailed workers compensation costs on slide 5, which read as follows [original punctuation provided]:

Firefighters particularly prone to musculoskeletal disorders (MSDs)

"Firefighters age 55 and older have an MSD injury rate that is more that double that of youngest firefighters, and more than ten times greater than that of private-sector workers of same age"

"It is apparent that older firefighters are associated with much higher rates of reported workplace injuries than both younger firefighters and private sector workers."

"This is consistent with the notion that the rigorous physical demands of firefighting subject them to trauma throughout their working lives, making them more subject to MSDs in later years."

Rand Corporation study on California fire fighter workers' compensation injuries

[9:33:44 AM](#)

MR. LOZANO continued to slide 6, which listed additional unforeseen costs, including increased overtime costs due to inadequate staffing; increased training costs; loss of operational capabilities; loss of experience and future leadership; rise in organizational stress levels.

[9:35:10 AM](#)

MR. LOZANO emphasized that recruitment and retention problems would only increase. He referred to slide 7, which read as follows [original punctuation provided]:

Current recruitment & retention difficulties highlighted by DPS, DOC, and Chief Officers from across the state are occurring with 40-50% of workforce in DB system

Tier 4 currently makes up 50-60% of public safety workforce

The problems will be magnified as the Tier 4 workforce population grows

A 100% portable public safety workforce is a frightening thought for Chief Officers around the state

[9:36:12 AM](#)

MR. LOZANO advanced to slide 8, reporting that the number of public safety employees in Alaska was 3,400 and the average training cost for each was \$120,000. He noted that the cost of training varied by agency. He discussed the cost of maintaining the status quo on slide 9, which read as follows [original punctuation provided]:

DPS & DOC have testified to the Legislature of non-retirement separations greater than 6%

This is at a time when Tier 4 makes up less than 60% of overall public safety workforce

Here we will examine costs of Alaska losing 1%, 2% and 3% of a Tier 4 public safety workforce each year

We will use a conservative training cost of \$120,000 , not increased for inflation over a 20-year period

MR. LOZANO, referring to slides 10-12, calculated the cost to the state if 1 percent, 2 percent, or 3 percent of the workforce were to leave. Slides 10-12 read as follows [original punctuation provided]:

1% of Workforce Leaving

$3,400 \times 0.01 = 34$ employees

$34 \times \$120,000 = \$4,080,000$ cost per year

$5 \times \$4,080,000 = \$20,400,000$ 5-year cost

20 x \$4,080,000 = **\$81,600,000 20-year cost**

2% of Workforce Leaving

3,400 x 0.02 = **68 employees**

68 x \$120,000 = **\$8,160,000 cost per year**

5 x \$8,160,000 = **\$40,800,000 5-year cost**

20 x \$8,160,000 = **\$160,200,000 20-year cost**

3% of Workforce Leaving

3,400 x 0.03 = **102 employees**

102 x \$120,000 = **\$12,240,000 cost per year**

5 x \$12,240,000 = **\$61,200,000 5-year cost**

20 x \$12,240,000 = **\$244,800,000 20-year cost**

[9:41:09 AM](#)

MR. LOZANO proceeded to slide 13, indicating that the aforementioned costs only represented one aspect of the problems that would result from non-retirement separation of public safety employees. He emphasized that the cost of employees leaving greatly outweighed the cost of HB 22. He noted that after facing similar experiences, other jurisdictions across the country had restored a system of defined benefits. He concluded on slide 14, highlighting the shared interest in ensuring that quality employees filled the ranks of Alaska's public safety institutions. He posited that adopting an adequate retirement plan with reasonable costs, fair benefits, and a shared risk, would help the mission.

[9:43:11 AM](#)

CHAIR MCCORMICK invited former Representative Chuck Kopp, who sponsored a previous version of the legislation in the Thirty-First Alaska State Legislature, to provide additional comments.

[9:43:26 AM](#)

CHARLES KOPP, Owner, Winfluence Strategies, shared his background in public safety. He spoke to the gap in experience and age in departments across Alaska due to high turnover within 0-7 years on the job. He discussed pervasive problems in society and the nature of a career public safety, which entailed risk of injury and even death, suggesting that dangerous jobs were becoming less appealing. He cited a joint op-ed by the commissioner of DPS and the governor that recognized the

statewide recruitment and retention issues in the public safety sector. He concluded by emphasizing that the bill was fiscally conservative and pointed out that a police officer or firefighter who retired in his/her late forties would still have to wait 13 years to draw from the pension.

[9:48:57 AM](#)

CHAIR MCCORMICK invited questions from committee members.

[9:49:04 AM](#)

REPRESENTATIVE MCCABE sought to confirm that Mr. Lozano had stated that the attrition rate was 6 percent.

MR. LOZANO clarified that 6 percent was a figure provided by DPS in 2020 that pertained to nonretirement separations.

REPRESENTATIVE MCCABE share his belief that the "churn" [gap in age and experience] was emblematic of a younger generation that was less loyal than his generation. He inquired about the attrition rate in the 1990-2000s and requested a graph of that data. Additionally, he considered the example of Detroit filing for bankruptcy and questioned what would happen if Alaska were to run out of money.

MR. LOZANO responded, emphasizing the solvency of the proposed retirement plan. He reiterated the importance of the levers included in HB 22, such as withholding the post-pension retirement adjustments (PRPA) below 90 percent and increasing the employee contribution rates, which would function as safeguards to ensure adequate funding if the state were in trouble by spreading the risk over multiple generations. He indicated that the smoothing effect was a benefit of a defined benefits system to withstand market fluctuations.

[9:56:49 AM](#)

REPRESENTATIVE HIMSCHOOT inquired about the impact to rural Alaska from the lack of a defined benefit system.

MR. LOZANO stated that smaller departments were disproportionately impacted. He indicated that a defined benefit system would incentivize employees to stay in those small communities for the entirety of their career without the financial pressure of low pay and poor benefits. He cited the results of a state-run study, which found that firefighters who

worked a 25-year career had a 6 percent chance of retirement stability.

[9:59:38 AM](#)

REPRESENTATIVE MCKAY inquired about alternative options for addressing the problem, such as increased pay or more vacation time.

MR. LOZANO reiterated that Alaska was the only state with a defined contribution plan for all employees. He pointed out that Utah, for example, had a defined contribution system that offered a 12 percent contribution rate to the employee, which was not enough. He reported that ultimately, Utah returned to a defined benefit system. He cited findings from a thinktank that analyzed retirement incentives, indicating that for a defined contribution retirement system to succeed in the public safety sector, the contribution rate would need to be 25-30 percent due to the shortened career span. He pointed out that increasing pay by 25-30 percent would be more expensive than the proposal outlined in HB 22.

[10:02:24 AM](#)

CHAIR MCCORMICK [announced that HB 22 would be held over.]

[10:03:13 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at 10:03 a.m.