

**ALASKA STATE LEGISLATURE
HOUSE STATE AFFAIRS STANDING COMMITTEE**

May 10, 2024

3:50 p.m.

MEMBERS PRESENT

Representative Laddie Shaw, Chair
Representative Stanley Wright, Vice Chair
Representative Ben Carpenter
Representative Craig Johnson
Representative Jamie Allard
Representative Ashley Carrick
Representative Andi Story

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 302

"An Act relating to supplemental employee benefits; relating to retirement benefits of peace officers and firefighters hired after June 30, 2006; and providing for an effective date."

- MOVED CSHB 302 (STA) OUT OF COMMITTEE

HOUSE BILL NO. 293

"An Act relating to the registration and titling of vehicles; relating to electronic registration and titling; relating to the powers of the commissioner of administration with respect to motor vehicles; relating to the transfer of vehicles; relating to motor vehicle liability insurance; relating to non-domiciled commercial driver's licenses and non-domiciled commercial learner's permits; and providing for an effective date."

- MOVED CSHB 293 (STA) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 302

SHORT TITLE: EMPLOYEE RETIREMENT BENEFITS/SBS

SPONSOR(s): REPRESENTATIVE(S) CARPENTER

01/31/24	(H)	READ THE FIRST TIME - REFERRALS
01/31/24	(H)	L&C, STA, FIN

02/02/24 (H) L&C REFERRAL MOVED AFTER STA
 02/02/24 (H) BILL REPRINTED
 02/13/24 (H) STA AT 3:00 PM GRUENBERG 120
 02/13/24 (H) -- MEETING CANCELED --
 05/10/24 (H) STA AT 3:00 PM GRUENBERG 120

BILL: HB 293

SHORT TITLE: VEHICLES:REGISTER;TRANSFER; INS.; LICENSE
 SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/26/24 (H) READ THE FIRST TIME - REFERRALS
 01/26/24 (H) STA, FIN
 04/18/24 (H) STA AT 3:00 PM GRUENBERG 120
 04/18/24 (H) -- MEETING CANCELED --
 04/23/24 (H) STA AT 3:00 PM GRUENBERG 120
 04/23/24 (H) <Bill Hearing Canceled>
 04/30/24 (H) STA AT 3:00 PM GRUENBERG 120
 04/30/24 (H) Heard & Held
 04/30/24 (H) MINUTE(STA)
 04/30/24 (S) STA AT 3:30 PM BELTZ 105 (TSBldg)
 04/30/24 (S) <Pending Referral>
 05/02/24 (S) STA AT 3:30 PM BELTZ 105 (TSBldg)
 05/02/24 (S) <Pending Referral>
 05/10/24 (H) STA AT 3:00 PM GRUENBERG 120

WITNESS REGISTER

BUDDY WHITT, Staff
 Representative Laddie Shaw
 Alaska State Legislature
 Juneau, Alaska

POSITION STATEMENT: Gave an overview of changes between the original bill and the proposed CS for HB 302, Version S.

KENDRA BROUSSARD, Staff
 Representative Ben Carpenter
 Alaska State Legislature
 Juneau, Alaska

POSITION STATEMENT: On behalf of Representative Carpenter, prime sponsor, gave a PowerPoint presentation outlining changes made in HB 302, Version S.

ZACHARY CHRISTENSEN, Managing Director
 Reason Foundation
 Denver, Colorado

POSITION STATEMENT: Answered questions during the hearing on HB 302 Version S.

RYAN FROST, Managing Director
Reason Foundation
Denver, Colorado

POSITION STATEMENT: Answered questions during the hearing on HB 302, Version S.

ALEXEI PAINTER, Director
Legislative Finance Division
Juneau, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 302, Version S.

BUDDY WHITT, Staff
Representative Laddie Shaw
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HB 293, Version S to the committee.

EDRA MORLEDGE, Staff
Representative Julie Coulombe
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Offered information on the proposed CS to HB 293, Version S.

ACTION NARRATIVE

[3:50:21 PM](#)

CHAIR LADDIE SHAW called the House State Affairs Standing Committee meeting to order at 3:50 p.m. Representatives Wright, Carpenter, C. Johnson, Carrick, Story, and Shaw were present at the call to order. Representative Allard arrived as the meeting was in progress.

HB 302-EMPLOYEE RETIREMENT BENEFITS/SBS

[Contains discussion of SB 88.]

[3:51:14 PM](#)

CHAIR SHAW announced that the first order of business would be HOUSE BILL NO. 302, "An Act relating to supplemental employee benefits; relating to retirement benefits of peace officers and

firefighters hired after June 30, 2006; and providing for an effective date."

[3:51:23 PM](#)

REPRESENTATIVE WRIGHT moved to adopt the proposed committee substitute (CS) for HB 302, Version 33-LS0895\S, Klein, 5/9/24, as a working document.

[3:51:38 PM](#)

CHAIR SHAW objected.

[3:51:51 PM](#)

BUDDY WHITT, Staff, Representative Laddie Shaw, Alaska State Legislature, gave an overview of changes between the original bill and the proposed CS for HB 302, Version S, [included in the committee packet], which read as follows [original punctuation provided]:

Adds Section 8

Adds a new section uncodified law that provides a 9.75 percent employer contribution to teachers under AS 14.25.350 (a) (defined contributions for teachers) for FY 25, FY 26, and FY 27, bringing combined contributions for teachers to 30 percent for those years. These contributions will serve as teacher recruitment and retention bonuses.

Section 9

Effective date of July 1, 2024.

[3:52:47 PM](#)

CHAIR SHAW removed his objection. There being no further objection, Version S was before the committee.

[3:53:16 PM](#)

REPRESENTATIVE CARPENTER, as prime sponsor, presented HB 302, Version S to the committee. He said the bill is meant to address the disparities that exist in the current retirement system in Alaska and introduced his staff, Kendra Broussard, to give a PowerPoint presentation on the changes made in Version S.

[3:54:27 PM](#)

KENDRA BROUSSARD, Staff, Representative Ben Carpenter, Alaska State Legislature, on behalf of Representative Carpenter, prime sponsor, gave a PowerPoint presentation [hard copy included in the committee packet] outlining changes made in HB 302, Version S. She began on slide 1, which read as follows [original punctuation provided]:

Overview

- Aims to modernize retirement benefits for Peace officer and firefighter employees in Alaska, aligning them with national workforce trends and ensuring equitable access to enhanced defined contribution plans.
- Addresses an imbalance by allowing Teachers to opt into the SBS plan, ensuring more equitable retirement benefits.
- Gives a bonus Contribution for Teachers over a three-year period.

MS. BROUSSARD moved to slide 2, which read as follows [original punctuation provided]:

Regular PERS members meet best practice standards, but Peace officer and firefighter employees do not meet the best practice standard combined Employer and employee contribution target of 30%. Employer contributions for public safety would rise from 5% of pay to 9.74% of pay under this Bill. Public safety contributions, when paired with SBS-AP contributions, would reach the 30% threshold.

Members of the Public Employee Retirement System personnel are covered by the Defined Contribution Plan and the Supplemental Benefit Plan under Alaska's current pension design. Teachers are not included.

[3:55:54 PM](#)

REPRESENTATIVE STORY asked for clarification about the three-year figure mentioned on slide 1.

MS. BROUSSARD explained that Version S would give a one-time, per-year bonus contribution into a Teachers' Retirement System (TRS) defined contribution system over a period of three years.

3:57:08 PM

REPRESENTATIVE CARPENTER, in response to a question from Representative Carrick, confirmed that that only teachers would receive the three-year bonus.

MS. BROUSSARD resumed the presentation on slide 3, which read as follows [original punctuation provided]:

Alaska's teachers—whose union chose not to participate in the Supplemental Benefits program when offered the option many years ago and also do not participate in Social Security—have a combined 15% employer and employee contribution, which is substantially below the target contribution range."

"A proposed bill would make Alaska the gold standard in defined contribution retirement plans for public workers"

- Commentary from Reason Foundation-

MS. BROUSSARD continued to slide 4, which read as follows [original punctuation provided]:

"Education in Alaska is a matter of significant government concern.

1. Competition for quality teachers is a nationwide issue and multiple jurisdictions have adopted legislation to incentivize teacher recruitment.

2. Attracting and retaining top quality educators to the state is absolutely vital to fulfilling Alaska's obligation to provide a useful education to our children. However, due to the uniqueness of Alaska's geography and the remoteness of some of our schools, we are experiencing a crisis in recruiting and retaining the best teachers for our children."

Governor Dunleavy Sponsor Statement for HB 106

This Bill incentivizes retention and recruitment by providing a 9.75 percent employer contribution to teachers for FY 25, FY 26, and FY 27, bringing combined contributions for teachers to 30 percent for those years.

4:00:31 PM

REPRESENTATIVE CARPENTER clarified that the slide soon-to-be displayed was the Reason Foundation's analysis of SB 88.

MS. BROUSSARD skipped to slide 7, which read as follows [original punctuation provided]:

"SB 88 could cost Alaska an additional \$9.6 billion over the status quo. Actuarial analysis of Alaska PERS and TRS that anticipates realistic economic conditions and market stress over the next 30 years shows SB 88 likely exposes the state to significant additional costs. Source: Pension Integrity Project 30-year actuarial forecast of Alaska PERS and TRS. The scenario applies recession returns in 2024-27 and 2039-42 and 6% returns in all other years. Values are adjusted for inflation. Bottom Line: SB 88 would likely cost Alaska more than \$9 billion in the coming decades. Since most public employees leave their positions before being fully eligible for their pension benefits, this could be very costly legislation that only benefits a relatively small group of workers"

"Senate Bill 88 would expose Alaska to significant additional costs"

Backgrounder from Reason Foundation

MS. BROUSSARD continued to slide 8, which displayed a graph that showed two different lines depicting different financial outcomes if a pension-like retirement system were to be reinstated in Alaska.

[4:02:22 PM](#)

REPRESENTATIVE STORY commented that she took great exception to the slide referencing SB 88 and opined that it is misleading and "greatly exaggerated."

[4:03:50 PM](#)

MS. BROUSSARD moved to slide 9, which displayed a graph that showed teachers' annual benefits at retirement and how the benefits would be affected depending on which pieces of legislation were passed. She continued to slide 10, which displayed a graph that showed police and fire benefits at retirement and how the benefits would be affected depending on which pieces of legislation were passed.

[4:04:42 PM](#)

REPRESENTATIVE CARPENTER, in response to Representative Story's earlier remarks, referenced the previous slides that displayed graphs and explained that the current defined benefits system would be paid off as time moves on.

[4:06:02 PM](#)

ZACHARY CHRISTENSEN, Managing Director, Reason Foundation, explained that the graphs displayed on previous slides were the Reason Foundation's own estimates of the financial impacts of a public retirement system and explained how the financial figures were attained by the company. He gave a comparative analysis of Alaska's supplemental benefits plan (SBS) and current retirement systems and explained how they would look years in the future, and further explained the perceived implications that such a spending bill would have on Alaska in the coming years.

[4:09:23 PM](#)

REPRESENTATIVE STORY asked if recessions are imminent for each state that has a public retirement system and further questioned what the historical average rate of return on SBS has been for the state.

MR. CHRISTENSEN responded that there are a growing number of states that are applying a "stress test" to develop a fiscally responsible public retirement system.

[4:12:08 PM](#)

RYAN FROST, Managing Director, Reason Foundation, relayed that most states' average return rate for an SBS plan is about 6.8 percent and said that the rate of return for a public retirement plan is generally reliant on the current market rate.

REPRESENTATIVE STORY asked which other states have participated in actuarial with the Reason Foundation.

MR. FROST answered that the Reason Foundation has participated in reforms in Colorado, Michigan, Arizona, Florida, North Carolina, Mississippi, Texas, Montana, and New Mexico.

[4:15:01 PM](#)

REPRESENTATIVE CARPENTER asked how the debt of the proposed legislation would show on the previously displayed financial projections.

MR. FROST explained that the graph displays what is currently being spent on retirement and said that HB 302, Version S, would not add any debt to the State of Alaska.

REPRESENTATIVE CARPENTER asked if adding a defined benefits system with an unspecified figure of debt is necessary in order to provide a good retirement for public employees.

[4:17:55 PM](#)

MR. FROST shared his belief that currently, teachers in Alaska are "forfeiting well over a million dollars" in benefits by not being enrolled in the SBS plan with the State of Alaska and further opined that HB 302, Version S, is "orders of magnitude" more adequate in its proposed retirement benefits than the retirement benefits proposed under SB 88.

REPRESENTATIVE CARPENTER asked how public employees' retirement system [benefits] might be impacted by an employee's resignation before retirement.

MR. FROST explained the nuances of the current and proposed retirement plans and used a hypothetical example to explain his answer.

[4:20:32 PM](#)

REPRESENTATIVE CARRICK asked if public safety officers and firefighters are currently enrolled in Alaska's SBS program.

ALEXEI PAINTER, Director, Legislative Finance Division, answered that depends whether or not a police officer or firefighter might be enrolled in Alaska's SBS program.

REPRESENTATIVE CARRICK asked how the State of Alaska could make SBS mandatory for public safety officers.

MR. PAINTER answered that there is a process for public safety officers to engage in a vote to enroll in the SBS system and explained that the cost of the benefit would fall on the employer, not the State of Alaska.

[4:23:08 PM](#)

REPRESENTATIVE STORY asked for clarification on her understanding of how an employer would contribute to an employee's retirement benefits. She asked when Alaska would pay off its current pension debt. She asked if the Legislative Finance Division analyzed other states in a "stress test" and further questioned why those tests are performed in the first place.

MR PAINTER answered that the legislature has adopted an amortization to pay off its current pension debt by 2039 and explained that if the state cannot pay for that debt by 2039, then the legislature may adopt a "layered amortization" on top of the current amortization in order to pay the debt off more gradually. He explained the different methods of a retirement benefits "stress test" and emphasized that it is a common method of assurance of the quality of a given retirement benefits system.

[4:28:52 PM](#)

REPRESENTATIVE CARPENTER asked if the Legislative Finance Division has had a chance to assess the cost of HB 302, Version S.

MR. PAINTER answered that the division has prepared a cost estimate and reviewed the sectional analysis of HB 302, Version S, [copy included in committee packet], which read as follows [original punctuation provided]:

Sections 1, 2

Amends the supplemental benefits system (SBS) statute (AS 39.30.150) to allow participating employees, not participating employers, to contribute toward a participating employee's supplemental benefits plan. This change shifts the decision to join SBS from the employer to the employee.

Section 3, 4

Amends the benefit options statute (AS 39.30.160) to allow participating employees to contribute toward a participating employee's special benefits that include supplemental health benefits, supplemental death benefits, supplemental disability benefits, and supplemental dependent care benefits.

Section 5

Adds a section to employee benefits (AS 39.30.170) (e) to allow any active member of the teachers' retirement system (AS 14.25) or a peace officer or firefighter by a political subdivision of the state to elect to participate in SBS if not a member of the federal social security system.

Section 6

Add the definition of "participating employee" to the supplemental benefits statute (AS 39.30.180) to include a person who elects to participate in SBS.

Section 7

Amends the public employees defined contributions statute (AS 39.35.180 (a)) to raise the annual employer contribution for peace officers and firefighters from five percent to 9.74 percent, bringing combined contributions for peace officers and firefighters to 30 percent.

Section 8

Adds a new section uncodified law that provides a 9.75 percent employer contribution to teachers under AS 14.25.350 (a) (defined contributions for teachers) for FY 25, FY 26, and FY 27, bringing combined contributions for teachers to 30 percent for those years. These contributions will serve as teacher recruitment and retention bonuses.

Section 9

Provides an effective date of July 1, 2024.

[4:33:18 PM](#)

REPRESENTATIVE STORY asked what the cost of SB 88 would be for fiscal year 2025 (FY 25).

MR. PAINTER explained that SB 88 has zero cost in FY 25 because the rates for FY 25 have already been adopted.

[4:34:45 PM](#)

REPRESENTATIVE CARPENTER moved back to slide 10, which displayed a graph of police and fire benefits and how they would be impacted by the passage of either HB 302, Version S, or SB 88. He emphasized that the method of retirement benefits proposed HB 88 is to reinstate a pension-based retirement and explained how that is different from the current defined contribution plan. He said that HB 302, Version S, would require that retirement

benefits be paid for in the current budget and not allow for the proposed retirement benefits to be paid for in future years.

[4:37:38 PM](#)

The committee took a brief at-ease at 4:37 p.m.

[4:38:34 PM](#)

CHAIR SHAW commented that the purpose of the proposed legislation is to provide a benefit across the board to all public employees and shared his belief that HB 302, Version S, addresses many of the complexities associated with retirement benefits.

[4:39:08 PM](#)

REPRESENTATIVE CARPENTER moved back to slide 9, which displayed a graph of teachers' benefits and how they would be impacted by the passage of either HB 302, Version S, or SB 88. He emphasized that only local and state governments have the option to opt out of Social Security and shared his belief that it is unfair for private companies to fund a program that is not used.

[4:41:29 PM](#)

REPRESENTATIVE STORY opined that [HB 302, Version S] does not address the current vacancy and turnover rate regarding public employment and said that she would prefer to move SB 88 out of committee because it incentivizes retention and eventual retirement.

[4:42:43 PM](#)

REPRESENTATIVE WRIGHT moved to report CSHB 302, Version 33-LS0895\S, Klein, 5/9/24, out of committee with individual recommendations and the accompanying fiscal notes.

REPRESENTATIVE CARPENTER objected.

REPRESENTATIVE CARPENTER posited that employees are not working for a single employer for as long as they used to and shared his belief that forcing an employee to stay at a certain workplace, as they would have to under a defined benefits plan, is negative for all employment sectors. He said that HB 302, Version S, would allow employees to retire early and "with dignity" when necessary.

[4:45:46 PM](#)

REPRESENTATIVE ALLARD commented that she would "rather have a happy employee" than one who is forced to stay at a workplace they don't like just to maintain their requirement and signaled her support for HB 302, Version S, over SB 88.

REPRESENTATIVE CARRICK said that she was "reluctantly in opposition" to HB 302, Version S, because she knows that the younger generation of workers isn't staying with one employer for as long as they did in the past. She signaled her support for certain parts of the proposed legislation and said that her experience with the younger workforce is what is leading her to oppose other parts of HB 302, Version S.

[4:50:20 PM](#)

REPRESENTATIVE STORY added that she wanted HB 302, Version S, to move forward and said that a defined benefits system would be very affordable for the state.

[4:51:41 PM](#)

REPRESENTATIVE CARPENTER maintained his objection.

[4:51:45 PM](#)

A roll call vote was taken. Representatives Allard, Story, C. Johnson, Wright, Carpenter, and Shaw voted in favor of reporting CSHB 302, Version 33-LS0895\S, Klein, 5/9/24, out of committee with individual recommendations and the accompanying fiscal notes. Representative Carrick voted against it. Therefore, CSHB 302(STA) was reported out of the House State Affairs Standing Committee by a vote of 6-1.

[4:52:26 PM](#)

The committee took an at-ease from 4:52 p.m. to 4:55 p.m.

HB 293-VEHICLES:REGISTER;TRANSFER; INS.; LICENSE

[4:55:18 PM](#)

CHAIR SHAW announced that the final order of business would be HOUSE BILL NO. 293, "An Act relating to the registration and titling of vehicles; relating to electronic registration and

titling; relating to the powers of the commissioner of administration with respect to motor vehicles; relating to the transfer of vehicles; relating to motor vehicle liability insurance; relating to non-domiciled commercial driver's licenses and non-domiciled commercial learner's permits; and providing for an effective date."

REPRESENTATIVE WRIGHT moved to adopt the proposed committee substitute (CS) for HB 293, Version 33-GH2373\S, Radford, 5/2/24, as the working document.

CHAIR SHAW objected.

[4:55:55 PM](#)

BUDDY WHITT, Staff, Representative Laddie Shaw, Alaska State Legislature, read a sectional analysis of the changes proposed under Version S, the CS to HB 293 [included in committee packet], which read as follows [original punctuation provided]:

- Section 1 - Page 1, Line 5 - changes the title to reference only "commercial driver's licenses" and "commercial instruction permits."
- Section 2 - Page 1, Lines 9 to Page 2, Line 13: Amends AS 28.15.051(f) to insert the word "domiciled" into current statute, delineating it from a non-domiciled commercial driver's permit.
- Section 3 - Page 2, Line 14 to Page 3, Line 8: AS 2815.051(g) Adds a new subsection for non-domiciled commercial driver's instruction permit.
- Section 4 - Page 3, Line 9 to Page 4, Line 10: Amends current AS 28.33.100(a) to allow for a nondomiciled commercial driver's license.
- Section 5 - Page 4, Lines 11-25: Adds a new subsection AS 28.33.100(g) to provide that a nondomiciled commercial driver's license must be clearly marked and adds provisions to align with federal law.
- Section 6 - Page 4, Lines 26-30: Adds a new paragraph to AS 28.90.990(a) to add "non-domiciled" commercial driver's licenses and permits to current statute.
- Section 7 - Page 4, Line 31: Repeals the definition of "domicile" as it pertains to this article.
- Section 8 - Effective date clause

[4:58:27 PM](#)

EDRA MORLEDGE, Staff, Representative Julie Coulombe, Alaska State Legislature, explained that a large part of the goal of HB 293, Version S is to help people get their non-domicile license in Alaska in a more streamlined process. She added that the impetus of the proposed legislation is because it was assumed that this issue could be solved with regulation change when it needed its own legislation to be solved.

[5:01:00 PM](#)

CHAIR SHAW removed his objection. There being no further objection, Version S was before the committee.

[5:01:26 PM](#)

The committee took a brief at ease at 5:01 p.m.

[5:01:35 PM](#)

REPRESENTATIVE WRIGHT moved to report CSHB 293, Version 33-GH2373\S, Radford, 5/2/24, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 293(STA) was reported out of the House State Affairs Standing Committee.

[5:02:06 PM](#)

ADJOURNMENT

There being no further business before the committee, the House State Affairs Standing Committee meeting was adjourned at 5:02 p.m.