

**ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE**

March 15, 2023

1:36 p.m.

MEMBERS PRESENT

Senator Jesse Bjorkman, Chair
Senator Click Bishop, Vice Chair
Senator Elvi Gray-Jackson
Senator Kelly Merrick
Senator Forrest Dunbar

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 88

"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."

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 88

SHORT TITLE: RETIREMENT SYSTEMS; DEFINED BENEFIT OPT.

SPONSOR(S): SENATOR(S) GIESSEL

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|----------|-----|-----------------------------------|
| 03/01/23 | (S) | READ THE FIRST TIME - REFERRALS |
| 03/01/23 | (S) | L&C, FIN |
| 03/13/23 | (S) | L&C AT 1:30 PM BELTZ 105 (TSBldg) |
| 03/13/23 | (S) | Heard & Held |
| 03/13/23 | (S) | MINUTE(L&C) |
| 03/15/23 | (S) | L&C AT 1:30 PM BELTZ 105 (TSBldg) |

WITNESS REGISTER

SENATOR CATHY GIESSEL, District E
Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Sponsor of SB 88.

JULIA O'CONNOR, Staff
Senator Cathy Giessel
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Resumed reading the sectional analysis for SB 88.

SONJA KAWASAKI, Senate Counsel to the Majority Coalition
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented the Summary Table for SB 88.

MINDY VOIGT, Retirement Operations Manager
Public Employees Retirement System
Division of Retirement and Benefits
Department of Administration (DOA)
Juneau, Alaska

POSITION STATEMENT: Answered questions on SB 88.

EDWARD "TED" SIEDLE, Financial Pension Expert
Boca Raton, Florida

POSITION STATEMENT: Gave a presentation on the need for a defined benefit pension plan.

BILL POPP, President and CEO
Anchorage Economic Development Corporation (AEDC)
Anchorage, Alaska

POSITION STATEMENT: Gave a brief presentation on the need for a defined benefit pension plan.

LISA PARADY, Executive Director
Alaska Council of School Administrators (ACSA)
Juneau, Alaska

POSITION STATEMENT: Presented a slide show on SB 88 in support of SB 88.

JORDAN ADAMS, Business Manager
Public Employees Local 71
Anchorage, Alaska

POSITION STATEMENT: Gave invited testimony in support of SB 88.

ACTION NARRATIVE

[1:36:39 PM](#)

CHAIR JESSE BJORKMAN called the Senate Labor and Commerce Standing Committee meeting to order at 1:36 p.m. Present at the call to order were Senators Gray-Jackson, Dunbar, Merrick, and Chair Bjorkman. Senator Bishop joined the meeting immediately thereafter.

SB 88-RETIREMENT SYSTEMS; DEFINED BENEFIT OPT.

[1:37:25 PM](#)

CHAIR BJORKMAN announced the consideration of SENATE BILL NO. 88 "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."

SENATOR BJORKMAN noted that this was the second hearing, and expressed his intention to complete the sectional analysis, review a Summary Table, and hear invited testimony. He asked Senator Giessel to put herself on the record and resume explaining the bill.

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SENATOR BISHOP joined the meeting.

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SENATOR CATHY GIESSEL, District E, Alaska State Legislature, Juneau, Alaska, sponsor of SB 88, clarified the following points the committee discussed on March 13 concerning:

1. a document in the backup material pertaining to the actuarial implications of [Senate] Bill 55, [Ch. 9, SLA 21], prepared by William Fornia, President, Pension Trustee Advisors. This document describes actuarial assessment elements incorporated into SB 88. She reiterated that Senate Bill 55 parallels SB 88 very closely.
2. the PowerPoint presentation "Pension and Healthcare Trust Combined Valuation." Slide 18 calculates the "actuarial value of assets (AVA)" funding ratio if the pension and healthcare funds were combined. She said the two funds sparked conversations about whether statutes would allow that. She said more information would be forthcoming as tax attorneys and others review the subject.

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CHAIR BJORKMAN invited Ms. O'Connor to put herself on the record and resume the sectional analysis she began to review on March 13.

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JULIA O'CONNOR, Staff, Senator Cathy Giessel, Alaska State Legislature, Juneau, Alaska, resumed reading the sectional analysis from where she had left off on March 13, Section 55. The sectional analysis link is available on BASIS under the bill.

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CHAIR BJORKMAN invited Ms. Kawasaki to put herself on the record and review the Summary Table on SB 88.

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SONJA KAWASAKI, Senate Counsel to the Majority Coalition, Alaska State Legislature, Juneau, Alaska, presented a Summary Table of policy decisions for SB 88 dated March 3, 2023. She said the Summary Table is a helpful tool that breaks down subjects in the bill and references bill proposals by section and page. [The revised March 10, 2023 Summary Table is available on BASIS under the bill.]

MS. KAWASAKI explained the structure of the bill. She said the Public Employees Retirement System (PERS) and Teachers Retirement System (TRS) statutes are separate. TRS statutory changes are in Sections 1 - 47 start on page 1 of the bill. PERS statutory changes are in Sections 62 - 69 and begin on page 35. The bill includes changes to the administration of TRS and PERS, found between the TRS and PERS statute changes in Sections 48 and 49. These cover the Alaska Retirement Management (ARM) Board duties for the new plan. She said changes to medical coverage statutes affecting TRS and PERS are in Sections 50 - 61, pages 30 - 35.

MS. KAWASAKI described the categories in the Summary Table as follows:

- Benefit Category
Lists the categories considered by stakeholders and Senator Giessel.
- Proposed New PERS-PS (Public Safety)
Proposed DB plan for PERS police and firefighter employees.
- Proposed New PERS Non-Public Safety Public Employees (PERS Non-PS)

- Proposed New Teachers Retirement System (TRS)
- Rationale for Policy Choice
- Bill Section and Page WD [Work Order Number]: 33-LS0505\B
Lists the references for benefits covered in the legislation.

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MS. KAWASAKI reviewed the subjects listed in the benefit category of the Summary Table for SB 88:

Employee Contribution

The bill proposes to allow the ARM Board to adjust the rate from eight to ten percent depending on the past service cost. The rate starts at ten percent for the first year. After that, the ARM Board may adjust the rate, and the variable rate applies to all three employee categories, PERS-PS, PERS Non-PS, and TRS. Employees share the risks and contribute more during poor market returns.

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At ease.

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CHAIR BJORKMAN reconvened the meeting.

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MS. KAWASAKI continued reviewing the subjects listed in the benefit category of the Summary Table for SB 88:

Employer Contribution

The State of Alaska does not have a maximum contribution limit for PERS and contributes above 22 percent; however, other PERS employers have a maximum contribution limit of 22 percent. The proposed employer contribution limit for most PERS employers remains 22 percent and 12.56 percent for TRS employers. She said SB 88 introduces a 12 percent floor once the unfunded liability is paid off, emphasizing pension experts recommend a rate floor of no lower than 12 percent.

Vesting

SB 88 proposes a five-year vesting term for all three employee categories, PERS-PS, PERS Non-PS, and TRS, consistent with prior PERS DB tiers. TRS employees had an eight-year vesting period. SB 88 aligns the vesting periods of TRS with PERS.

Qualification for Retirement

PERS-PS Employees: may retire at the age of 50 with 25 years of service or at the age of 55 with 20 years of service.

PERS Non-PS Public Employees: may retire at 60 or 30 years of service.

TRS Employees: may retire at 60 or 30 years of service.

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SENATOR BISHOP asked whether a requirement based on hours constitutes a year of service credit towards retirement, specifically, part-time seasonal employees, like emergency fire firefighters, Local 71 asphalt workers, and flaggers.

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MS. KAWASAKI deferred the question to the Division of Retirement and Benefits (DRB).

CHAIR BJORKMAN invited a representative from the Division of Retirement and Benefits to respond to the question.

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MINDY VOIGT, Manager, Retirement Operations - Public Employees Retirement System (PERS), Division of Retirement and Benefits, Department of Administration (DOA), Juneau, Alaska, answered that a part-time PERS employee must work 1,560 hours to receive one year of retirement service credit.

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MS. KAWASAKI continued reviewing the subjects listed in the benefit category of the Summary Table for SB 88.

Benefit Calculation Formula

PERS-PS: 2 percent for the first ten years of service and 2.5 percent after that. This calculation is consistent with the PERS Tier III benefit formula.

PERS Non-PS: 2 percent for the first ten years of service, 2.25 percent for the next ten years, and 2.5 percent after that. This calculation is consistent with the PERS Tier III benefit formula.

TRS: 2 percent for the first ten years of service, 2.25 percent for the next ten years, and 2.5 percent after that. This differs from the previous TRS calculation, which was 2 percent for the first 20 years, and 2.5 percent after that. SB 88 proposes an incremental increase in the benefit calculation for teachers, which aligns with the PERS Non-PS calculation.

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SENATOR DUNBAR asked whether a seasonal employee would qualify for one year of retirement service credit by working 1,560 hours accumulated over the years.

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MS. VOIGT replied that a part-time employee's service credit calculation divides the total number of hours worked in a calendar year by 1,560 and that credited service accrues annually towards the five-year [vesting requirement] for PERS.

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MS. KAWASAKI continued reviewing the subjects listed in the benefit category of the Summary Table for SB 88.

Final Average Salary

The final average salary is the highest five consecutive years for all employee categories: PERS-PS, PERS Non-PS, and TRS. The PERS Non-PS final average salary is consistent with the PERS Tier III defined benefit (DB) plan. The bill aligns the final average salary calculation for PERS-PS and TRS with PERS Non-PS. Previously, the highest three consecutive years calculation determined the PERS-PS final average salary, and the highest three contract salaries calculation determined the TRS final average salary.

Alaska Cost of Living

SB 88 eliminates the cost-of-living allowance (COLA) due to concern about its cost to employers. She said members have discussed reinstating the COLA provision.

Post Retirement Pension Adjustments (PRPA) (Inflation Protection)

ARM Board may provide PRPA to employees if the DB plan trust fund values are equal to or greater than 90 percent funded. ARM Board can withhold PRPA or lower the percentage rate if the DB trust fund values fall below 90 percent funded. This policy applies to all employee categories, PERS-PS, PERS Non-PS, and TRS.

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SENATOR MERRICK questioned the reason for using "may" in the PRPA provision.

MS. KAWASAKI replied the benefit is provided; however, the ARM Board has discretionary authority to adjust it. She said she would fine-tune the language so it appears less discretionary.

She explained that the ARM Board may only reduce the PRPA benefit if the unfunded liability exceeds 10 percent.

SENATOR MERRICK requested assurance that action would be taken if the DB trust fund values fell below 90 percent.

MS. KAWASAKI responded in the affirmative.

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MS. KAWASAKI continued reviewing the subjects listed in the benefit category of the Summary Table for SB 88.

Retirement Medical Coverage

SB 88 provides coverage to all three employee categories: PERS-PS, PERS Non-PS, and TRS, which is consistent with PERS Tier IV defined contribution (DC) plan and TRS Tier III defined contribution (DC) plan. Medicare is available at age 65; this major medical coverage supplements that, and premiums for this coverage depend on the employee's years of service. [Section 79(c) of the bill states, "The medical benefits available to eligible persons are access to the retiree major medical insurance plan and access to the health reimbursement arrangement plan under AS 39.30.300.] The Summary Table shows the employer contributes an average of 3 percent of the employee's compensation to the HRA trust. Retirees can use their accounts for qualifying medical needs, including insurance premiums.

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Disability and Death Benefits

Coverage for this benefit is consistent with PERS Tier III, the last PERS DB plan. SB 88 aligns the TRS with PERS plans for this benefit. The nonoccupational disability benefits provide at least minimal protection to employees and their families for career-ending injuries or disabilities that occur off the job. The nonoccupational disability benefit is calculated using normal retirement factors, like years of service and salary at the time of the disability. Statutes prescribe the formula for a nonoccupational death benefit. The occupational disability or death benefit provides 40 percent of the average base salary.

What would happen to current employees (hired after 2006) if this became law?

Current PERS and TRS DC plan employees can convert to the new DB plan by November 4, 2024, or four months from the date of bill enactment.

What would happen to new employees if this became law (hired after the bill goes into effect)?

New employees are automatically enrolled in the new defined benefit system. The primary goal for SB 88 is to address the state workforce challenge in recruitment and retention. The state's best fiscal option to meet this goal is pensions.

CHAIR BJORKMAN thanked Ms. Kawasaki for the summation and said the Summary Table helps people understand SB 88. He opened the floor to Senator Giessel for comments before advancing to invited testimony.

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SENATOR GIESSEL thanked the committee for hearing SB 88 and said she looks forward to hearing from the testifiers.

CHAIR BJORKMAN said the bill sponsor invited a selection of testifiers to discuss SB 88. He introduced Ted Siedle. His full biography is available on BASIS under bill documents. He asked Mr. Siedle to put himself on the record and begin his testimony.

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EDWARD "TED" SIEDLE, Financial Pension Expert, Boca Raton, Florida, gave a presentation on the need for a defined benefit pension plan. He offered the following prepared testimony:

I am the nation's leading expert in forensic investigations of retired plans, a former U.S. Securities and Exchange Commission (SEC) lawyer, and an industry executive with over 40 years of experience. I have investigated well over \$1 trillion in retirement plans.

In 2016, I won the first whistleblower award from the State of Indiana. In 2018, I received the largest Commodities Future Trading Commission whistleblower award in history, \$30 million. In 2019, I won the largest whistleblower award from the Securities and Exchange Commission in the amount of \$48 million. I was named as one of the 40 most influential people in the U.S. pension debate by Institutional [Investor] magazine for 2014 and 2015. In 2020, I and *Rich Dad Poor Dad* bestselling author, Robert Kiyosaki, co-authored a book, *Who Stole My Pension? How You Can Stop the Looting*. Most recently, I authored *How to Steal a Lot of Money—Legally*, which offers an engaging novel approach to teaching financial literacy.

Millions have read my articles in *Forbes*. In addition to television interviews on CNBC and Bloomberg News, I recently appeared in two full-length documentary films, *The Baby Boomer Dilemma* and *The Paradigm of Money*. A member of The Florida Bar, I am currently representing Screen Actors Guild (SAG) members in a class action lawsuit regarding changes to the actors' healthcare plan during the COVID pandemic. Ed Asner, known fondly to most Americans as Lou Grant, was the lead plaintiff in this ongoing case before his passing.

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I'd like to begin by telling you a personal story about how I began my forensic work, which I believe explains both my commitment to protecting workers' retirement savings and my final recommendations to you today. The year the Beatles released the love song, "When I'm 64," I was a teenager already thinking about aging, eldercare, and retirement. A teenager thinking about getting old may seem unlikely, but let me explain. I spent my teenage years in Uganda, East Africa, with my father until one day in July 1971, he failed to return from a journey, a safari as we would say in Swahili, to a remote part of the country. He and I had celebrated my seventeenth birthday a few days before he disappeared. My father was an American doctor of gerontology teaching at Uganda's Makerere University and conducting field research into the care of the aged, the elderly in African traditional societies. Why did he choose to study how Africans took care of their elderly? Because in the mid-1960s, my father had vision and realized that America's population demographics, the massive baby boom generation, meant that in the decades to come, as 80 million hippies got older, our nation would have to care for them. For the first time in history, this young nation, a nation which celebrated youth, would have to deal with an invasion of elders, and the American he knew was not prepared. You could say he foresaw the American eldercare and retirement crisis that we are struggling with today. Perhaps how African societies traditionally cared for their elders, might provide answers he thought.

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My father traveled extensively throughout remote parts of Uganda, which we used to call the Bush, meeting with missionaries and others caring for the elderly who could not care for themselves. Through his research and travels, he developed a wide network of reliable contacts who kept him informed as to happenings in the Bush. Unbeknownst to me and his colleagues at the university, the intelligence he gathered was also shared with American intelligence agencies. In 1971, when he disappeared in the garrison town of Mbarara, he was investigating rumors that Idi Amin, the new president of Uganda, had butchered hundreds of his own army soldiers stationed at the garrison without firing a single bullet. My father's disappearance alerted the world for the first time, as it was immediately reported in *Newsweek* magazine that Idi Amin was brutal, a murderer who would go on to kill an estimated 500,000 of his own people.

The child of a single parent, I had to return to the U.S. and live with relatives I barely knew. Since he had disappeared and was presumed dead, but his body had not been found, his estate could not be probated, his life insurance benefits would not be paid, and even Social Security survivor benefits were unavailable. In short, I was not only orphaned but penniless. A year after his disappearance, the Ugandan Commission of Inquiry concluded my father had been captured by Amin, tortured, and murdered because of his intelligence work. And, although his body was never found, his estate was able to be probated, his life insurance benefits came through as did Social Security survivor benefits. Through diplomatic channels, the Ugandan government offered an [undiscernible] of payment, without admitting responsibility for the murder, and paid reparations.

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As a result of my father's work, I was introduced to aging and eldercare issues at a very young age. Further, as a result of his murder, I experienced first-hand the value of America's Social Security system and the benefits it provides not only elders in retirement but to their survivors, children, and disabled in critical need. I also learned early in life to be tenacious in protecting what is most important, such as health, family, and, yes, wealth.

The first forensic investigation of my lifetime into the disappearance of my father was not completed until decades later, in 1997, when I returned to Uganda and with the assistance of the American intelligence community and Ugandan military, I sat face to face with my father's murderer at Luzira Maximum Security Prison. Guided by his murderers, I dug for but was unable to find my father's remains. However, I did find the answers I needed about how and when he died, as well as the satisfaction of knowing I had done all I could.

2:20:10 PM

Now, I would like to talk about my forensic investigations into 401(k) plans, which led me to write nearly 20 years ago, "The great 401(k) experiment of the past 50 years has failed generations of American workers, and today there is broad consensus 401(k)s have not and cannot provide meaningful retirement security." In 2006, I was retained as a consulting expert in connection with twelve high-profile class action lawsuits, filed the same day, September 11, against many of America's largest 401(k) plans, including corporations such as Lockheed Martin, Kraft, Walmart, Caterpillar, Boeing, Northrop Grumman, General Dynamics, John Deere, Bechtel, ABB, and Edison. These were the very first cases to challenge the structure in management for 401(k)s. The findings in these cases were surprising, even to me. I wrote about what I uncovered in my investigations in dozens of articles in *Forbes* and published an extensive research paper, "Secrets of the 401(k) Industry: How Employers and Mutual Fund Advisers Prospered as Workers' Dreams of Retirement Security Evaporated." My paper documented the unsavory industry practices and regulatory failures that played a significant role in creating the defined contribution retirement crisis the nation faces today.

The demise of 401(k)s was no accident and, indeed, was predictable, I wrote. My research found that 80 percent of employers believed 401(k)s were effective in recruiting employees to come work for them, but only 13 percent of employers believed that the 401(k) plans they offered would provide meaningful retirement security for their workers. In other words, employers

understood that offering plans that purported to provide for workers' retirement security was helpful in building their businesses; however, employers privately acknowledged that these plans were not sufficient to provide for retirement. On the other hand, employers believed that guaranteed retirement income, such as traditional pension plans, would be far more costly to provide.

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So, I wrote, "Do employers tell their workers there really is no retirement security provided if they stay in their jobs and thereby risk losing these employees to competitors, or do employers maintain the charade that they offer retirement security? Has any employer ever acknowledged to workers that it is virtually inconceivable that the defined contribution plan he offers will provide sufficient retirement income?" I ask you today, have you ever heard an employer admit that there is no way [employees] will ever be able to retire on their 401(k) savings? I have never seen such a disclosure.

Two weeks ago, in an article in *Forbes* entitled, "Alaska State Workers Hoodwinked Into Believing 401(k)-Style Retirement Plan Was As Good As A Pension." I wrote about my experience as an expert retained to speak on behalf of the City of Atlanta police about a proposal by the city to force workers into a 401(k)-type plan. I began my comments to the Atlanta City Council, saying, "We are on the precipice of the greatest retirement crisis in the history of the world. In the decades to come, we will witness tens of millions of elderly Americans slipping into poverty. 'Too frail to work, too poor to retire' will become the new normal for elderly Americans." If you do not believe me, I said look at who is bagging your groceries. It used to be high school kids; now, it is men and women in their 70s or even 80s. I explained to the city council that 401(k) DC plans are largely to blame for this foreseeable tragedy, and forcing public employees into 401(k)s would only ensure greater misery. I said, "401(k)s cannot and will not provide a meaningful retirement security for the overwhelming number of America's workers and certainly not the public employees of the City of Atlanta."

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Notice that I did not refer to 401(k)s as retirement plans in my comments. That was intentional; 401 (k)s were not meant to be retirement plans. Let me say that again, 401(k)s were never intended to provide retirement security. They were initially envisioned as a way for management-level people to put aside extra retirement money, cash in addition to their pensions, much like 457 deferred compensation plans for government employees that rely primarily upon pensions for retirement security. In the 1980s, the 401(k) was embraced by big corporations as a replacement for costly pension funds. Suddenly, large companies were able to transfer the burden of funding employees' retirement to the employees themselves. Virtually all the major private employers jumped on the bandwagon. The surreal vision of turning rank-and-file workers into astute portfolio managers, each responsible for successfully directing his own investments, took hold. Unfortunately, things did not work out quite as well for the workers, not as well as it did for the employers and the financial services companies.

Since the initial class action lawsuits I was involved with in 2006, virtually all the largest employers in the world have been sued regarding their 401(k)s. Over a decade ago, way back in 2010, 84 percent of Americans surveyed said it was time for new, improved workplace retirement plans, 84 percent that is a staggering dissatisfaction rate. As I said in my *Forbes* articles, "401(k)s are the biggest investment fraud ever perpetrated upon America's workers." I believe it ought to be a crime to call these retirement plans. Call them supplemental savings plans or rainy-day accounts, but do not call them retirement plans and mislead workers to believe that 401(k)s will provide for their retirement security. They won't. Today, with a median 401(k) balance for 65-year-olds of \$62,000, the decades many elders will spend in so-called retirement will be grim. I told the Atlanta City Council, "So, if you vote to force your city's public employees into a 401(k)-type system, at least be honest about it and admit from the get-go that this is no retirement plan."

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In closing, it was no secret in 2006, and it is abundantly clear today that 401(k)-type plans do not provide anything near the level of retirement security as pensions. I feel nothing but compassion for Alaskan state workers who were forced to unwittingly sacrifice their retirement security 17 years ago. The retirement crisis Alaskan state workers are facing today was foreseeable and indeed was foreseen.

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My recommendation to you is that a well-managed pension should be established immediately for state workers going forward, but that is not enough. Workers who were forced into the 401(k)-type scheme 17 years ago are deserving of compensation that will ensure comparable levels of retirement security. They should not be left behind. As I learned in Africa over 50 years ago, you must protect the health and wealth, the lives of those who are most important to you. I urge you to act to protect Alaska state workers.

Thank you for this opportunity to speak.

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CHAIR BJORKMAN requested a copy of his written remarks.

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SENATOR BISHOP thanked Mr. Siedle for taking the time to address the committee, noting that his testimony hit the nail on the head. He noted that he had been making the same argument for 17 years.

[2:31:06 PM](#)

CHAIR BJORKMAN asked whether it would be cheaper for the State of Alaska to invest in a DB plan than a DC plan as it relates to the return on the invested dollar.

MR. SIEDLE replied that the key to running a defined benefit plan is full transparency, low cost, and passively managed funds, index funds. He said Warren Buffet recommends this, and it has been his recommendation for decades. A well-run pension plan can be cheaper than a poorly managed 401(k) plan. Unfortunately, most DB plans are not run as efficiently as they should. They are not as transparent, they have higher costs, and they have greater risks than disclosed. However, a well-run pension plan can provide benefits at a comparable price.

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SENATOR GRAY-JACKSON asked for his thoughts on including a cost-of-living (COLA) provision in SB 88.

MR. SIEDLE answered that he believes a COLA adjustment is fair because the cost of living rises over time. He suggested including a COLA adjustment; otherwise, an employee's retirement benefit is easily cut in half, with inflation over thirty years of retirement.

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At ease.

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CHAIR BJORKMAN reconvened the meeting and announced that the next invited testifier is Bill Popp, who will speak on workforce impacts. He asked Mr. Popp to put himself on the record.

[2:35:01 PM](#)

BILL POPP, President and CEO, Anchorage Economic Development Corporation (AEDC), Anchorage, Alaska, clarified that AEDC has not taken a position on SB 88. He neither speaks in support of or against SB 88. He said he intends to provide context for the current labor force situation in Anchorage and, by association, the state. Alaska is dealing with, and will be dealing with for decades to come, competition nationally for workers. AEDC has been trying to increase the City of Anchorage's labor force recruitment and retention competitiveness since 2010. He said these efforts have yet to be successful. Alaska has seen a population decline in the last decade and, more to the point, a drop in the available labor force. He said that, in general, Alaska lost over 30,000 working-age adults in the last ten years. Anchorage shared half the loss, losing nearly 15,000 working-age adults compared to the number available 15 years ago. This is a result of net outmigration. Historically, tens of thousands of Alaskans migrating out and tens of thousands migrating in from the Lower 48 and elsewhere kept Alaska's population shifts offset. The population remained balanced since the 1970s with some years of net loss of working-age adults. Still, overall, a reasonably balanced labor market existed in the state. Alaska has a lack of workforce regeneration. All working age categories show a flat or mostly net population loss in the last decade. This is a significant issue that Alaska will deal with for decades to come.

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MR. POPP said the previous speaker referenced a generational shift. The baby boom generation is retiring. He stated that approximately 41,000,000 baby boomers nationwide are under 64 years of age and still in the working age category, noting that all baby boomers will be 65 or older by 2030. Alaska has a propensity for older working adults. The state has not seen younger generations moving to Alaska in the numbers needed, and the number of older adults out-migrating has accelerated. In conjunction with that, there are accelerated retirement rates in the baby boomer generation. The baby boomers are headed for the retirement door fairly quickly, with the largest number retiring in the 62 to 63 age category. The Department of Labor and Workforce Development (DOLWD), Research and Analysis Section showed that 19 percent of the Anchorage population was 55 or older in 2010 and that increased to 25 percent in the most recent census projection data.

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MR. POPP said that this is a significant demographic shift. It is representative of a predicted longer-term shift in the coming decades when 78 million boomers step off the stage, trailed by only 68 million Generation Xers nationwide. The millennial generation follows behind Generation X with a slight population increase of 72 million. Generation Z follows that, with a population of only 62 million. In the professional world of economic development, this creates a national competition for workers, referred to as "talent wars." He said this has been happening for over a decade nationally, with communities gearing up for these demographic shifts, investing in the quality of place, different needed amenities, as well as competitive policies designed to attract and retain a workforce.

MR. POPP said that AEDC found that Alaska had been asleep at the wheel. They are caught up in old habits with the idea that people move to Alaska no matter what, that it is just a short-term cycle, and that there is nothing to worry about. He emphasized that this is a fundamental shift in Alaska's future. He said the state currently shows great opportunity with Anchorage and the Mat-Su posting over 69,000 jobs last year. He said that through March this year, they had nearly 27,000 job postings unique and distinct to the area. Job demand continues to remain strong. Anchorage reported a record-low unemployment rate of 2.7 percent in December. He said that, in his view, this is the center of gravity in the context of today's hearing. Thousands of state, federal, and local government workers make up a significant part of Alaska's economy. Coupled with the University of Alaska and school district employees, this is

about one out of five jobs in Anchorage. This is second to Anchorage International Airport, which generates one out of seven jobs in the city.

[2:41:35 PM](#)

MR. POPP said Anchorage could be replacing thousands and thousands of vacant jobs this year and converting those into employment, but the city needs the bodies. This extends to municipal, state, and federal governments with national competition in those categories. He said the effects are visible in workforce shortfalls of state government, leading to bottlenecks that:

- prevent companies from obtaining project permits,
- constrain business due to delays,
- getting business investments off the ground and deployed,
- processing key certifications, and
- addressing issues the state government oversees vital to business and deploying investments.

For these reasons, AEDC supports a solid exploration of how state government will fill thousands of vacant positions vital to economic activity, taking advantage of investments and the state's future. Business opportunities and investments will deploy elsewhere if they cannot deploy promptly in Alaska.

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MR. POPP said the DOLWD latest Trends magazine provides a complete dissertation on the outlook of working-age adults over the next 30 years. The magazine indicates a mid-case scenario net annual loss of .2 percent of working-age adults over 30 years. The worst case is the loss of 150,000 working-age adults over 30 years, and the most optimistic case is a .5 percent growth. AEDC's view is that companies will prioritize deploying investments where the labor force is stable and growing and meets expectations for the deployment of capital to create new business and investments. If the labor force is unstable or declines, Alaska will see an erosion in economic opportunities in the coming decades. He expressed his belief that one of the most important sectors besides the broader sectors of professional development, healthcare, engineering, and all the other industry sectors represented in the private sector is having great, fully staffed schools that provide excellent education opportunities at the K-12 and university levels. Equally critical are government services that younger, family-age, mid-career, and senior workers expect in a community they want to live in and invest their time and efforts in to generate

their futures. The state is not making the grade; the numbers tell us that Anchorage lost over 4,000 people from the working-age category just last year. This is not a trend that the state can sit idly by, cross its fingers, and hope for.

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MR. POPP said Alaska needs to take proactive steps. AEDC, in partnership with other business organizations in Anchorage, is focused on the "Choose Anchorage" plan. The plan focuses on business vitality but primarily on talent, developing more talent and higher-skilled workers within the workforce in Alaska. Alaska needs to attract critical workers from across the nation because the state will never fill these positions from within the state's population. The challenge facing Alaska is a higher cost of living, about 26 percent above the national average. The cost of living reduces the buying power of wage and benefit packages. From a competitive point of view, competing against other cities nationwide, Alaska has to offer a better deal to get workers to move and stay here. The model that points to mountains as though that is the only reason a person needs to live in Alaska does not work anymore.

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MR. POPP stated that his last point is that Anchorage is one of the only profiled cities in the state using new census analysis by the U.S. Census Bureau. It demonstrates that the state loses 34 percent of its 16- to 26-year-olds from the City of Anchorage. They leave and never return, draining potential workers. Whatever enticements and ways to attract and retain workers are critical to Alaska's economic future and success. Whatever the state can do to attract and retain youth is crucial to the state. He recommended the book, "When the Boomer's Bail." It was written in 2011 and lays out the story, in no uncertain terms, of what will happen to cities and states that do not adapt to the nationally changing demographics. He encouraged committee members to read the book. He explained that he does not agree with everything in the book. Still, its analysis of what communities in Alaska could face is prophetic.

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CHAIR BJORKMAN invited Lisa Parady to put herself on the record and begin her testimony.

[2:49:07 PM](#)

LISA PARADY, Executive Director, Alaska Council of School Administrators (ACSA), Juneau, Alaska, presented a slideshow in support of SB 88 and explained how Alaska's recruitment and

retention crisis is affecting all of Alaska's school districts. She said ACSA is a 50-year-old nonprofit created to serve as an umbrella to some of Alaska's premier organizations, including the Alaska Superintendents Association, Alaska Association of Elementary School Principals, Alaska Association of Secondary School Principals, Alaska Association of School Business Officials, and a host of other administrators serving students across Alaska. She agreed with the testimony of previous speakers, which supports establishing a new DB retirement plan for teachers and other public employees to address recruitment and retention challenges.

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MS. PARADY summarized the map on slide 2, "Supporting Alaska's School Districts," stating ACSA supports all school districts and represents education leaders statewide. ACSA is united in its priorities of educators for urban and rural school districts. ACSA understands there is no room for division between large, small, urban, rural, or remote communities in Alaska. All school districts are experiencing shortages at every level. School districts are the largest employer or are in the top three largest in most communities, so they are greatly affected by workforce challenges from the business and education standpoints.

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MS. PARADY reviewed slide 3, "Student achievement is ACSA's number one priority." ACSA's most critical need is adequate funding. ACSA members work together each year on joint position statements; these statements envelop the highest priorities for Alaska education policy positions. Student achievement is the number one priority, but recruitment and retention of educators are essential aspects of public education. She said many areas in education are suffering from staffing shortages, impacting students daily, as seen in many news headlines.

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MS. PARADY advanced to slides 4 and 5, "Educator Turnover in Alaska." A Regional Education Laboratory Northwest study found that educator turnover impacts rural and remote schools the most. Teacher turnover is over 35 percent in most rural and remote school districts and 38 percent for principals. She noted that these figures are pre-pandemic, so the numbers are even higher today. The turnover rates are staggering.

MS. PARADY said the study also addresses teacher and principal outmigration. Educator turnover leads to instability in classrooms and schools, directly affecting student achievement.

MS. PARADY advanced to slide 5, which reads:

Most of Alaska's turnover was educators leaving Alaska or the profession.

Statewide turnover rates from 2012/13 to 2017/18 remained steady for teachers but varied for principals and superintendents. Nearly 60 percent of teacher turnover involved "leavers" - individuals who left Alaska or remained in the state but were no longer educators. For example, in 2017/18, 13 percent of teachers left the profession or their position, while 9 percent of teachers went to a new district or school but remained in the Alaska public school system.

Turnover rates in Alaska for 2017/18

| | |
|----------------|-----------------------------|
| Teacher | 13 percent leaver |
| | 22 percent overall turnover |
| Principal | 17 percent leaver |
| | 25 percent overall turnover |
| Superintendent | 19 percent leaver |
| | 25 percent overall turnover |

MS. PARADY noted that these numbers have increased because of the pandemic.

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MS. PARADY reviewed slides 6 and 7, "Costs of Turnover," stating researchers have done some great work on the costs of educator turnover:

- [Institute of Social and Economic Research]
ISER Study - 2017
Every time Alaska replaces a teacher, it costs the school district over \$20,000
- RAND Study - 2019
Average cost to replace a principal is \$75,000

MS. PARADY said these costs have increased significantly. She asked the committee to consider turnover costs as members reflect on 38 percent turnover rate for principals in Alaska's

most rural-remote areas. Turnover significantly affects school district budgets.

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MS. PARADY advanced to the chart on slide 7, which shows the breakdown of costs to replace a teacher in 2017:

Separation

\$2,449 12 percent of total cost for
Administrative, maintenance, and security tasks

Recruitment

\$1,910 9 percent of total cost for
Job fairs, advertising

Hiring

\$4,902 24 percent of total cost for
Screening applicants, interviews, administrative
processes

Orientation and Training

\$11,170 55 percent of total cost for
Professional development, onboarding, and new teacher
support

Our total calculated cost: \$20,431 per teacher

MS. PARADY said the Wallace Foundation shared the following quote in a school leader study, "when strong principals are at the helm of the school, they positively influence school culture and the instructional quality of the whole system of teachers. However, when a principal turns over, students achieve less in both math and reading during the first year after leader turnover, and schools that experience principal turnover year after year, which we see in Alaska, have serious cumulative negative effects on our students." This condition is magnified in schools that serve underprivileged or impoverished students.

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MS. PARADY advanced to slide 8, which shows a photo composite of Alaska's 54 superintendents from 2018-2019. The superintendents that no longer work in the state are marked out. Thirty-nine photos are marked out, and two more left this year. She said that the superintendent, principal, and teacher turnover equates to instability. Instability correlates to low achievement in the classroom.

MS. PARADY reviewed slide 9, "How Does Turnover Harm Student Achievement?" She said in Alaska, high teacher turnover correlates with poor student achievement. A study by ISER shows that school districts with the five lowest turnover rates had significantly better reading scores than those with the five highest turnover rates. These statistics are linked. They go hand in hand. She said that stabilizing school districts will improve student achievement.

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MS. PARADY advanced to slide 10, "Retirement System for Educators." She said the ACSA 2023 joint position statements prioritize a retirement system for educators. She reviewed the slide:

- According to the Economic Policy Institute the average teacher earns 21% less than other professionals with a college degree
- A portion of this gap can be offset by providing a robust retirement system for educators

MS. PARADY reviewed slide 11, "Preparing, Attracting and Retaining Qualified Educators:"

- Retaining highly effective educators and leaders is imperative to increase student achievement and eliminate academic disparity for all of Alaska's students.
- A nationally competitive compensation and benefits package, combined with a robust retirement system is imperative to attract and retain effective educators.

MS. PARADY advanced to slide 12, "How Retirement Benefits Rank for Educators." The slide shows the Governor's Taskforce on Teacher Recruitment and Retention (TRR) survey data based on interviews with 4,000 educators in the 2021-2022 year. She said that the data shows the number one priority for administrators trying to hire staff is retirement benefits, which underscores how important SB 88 is for the stability of school districts.

MS. PARADY reviewed slide 13, "How Retirement Benefits Rank for Educators." The slide shows the responses of all people surveyed in the TRR questionnaire. Three of the top ten solutions to educator retention are related to retirement benefits. She said the results are compelling, given that over 4,000 educators responded to the survey in Alaska last year. They indicated

retirement benefits would positively influence school district stability and student achievement.

2:59:49 PM

MS. PARADY advanced to slide 14, "Other States Know Alaska Isn't Competitive." She reviewed a flyer from a recent job fair, which indicates job searchers should beware of teaching in Alaska. The flyer reads in part:

Thinking of Teaching in Alaska? BEWARE

Alaska is the ONLY state in the nation that does not allow their teacher to participate in the National Social Security system, and yet provides no defined pension or benefit for their teachers with a start date after 2006. You will be unable to apply for National or State disability benefits or disability insurance if you can't work due to injury or disease.

As soon as you start teaching for Alaska any Social Security benefits you've accrued will be cut.

Windfall Elimination Act

<https://www.ssa.gov/pubs/EN-05-10045.pdf>

Any Social Security benefits your spouse has accrued will now not go to you if they die before you.

Government Pension Offset

<https://www.ssa.gov/pubs/EN-05-1007.pdf>

MS. PARADY said the state does not want a slogan that reads, "Friends do not let friends teach in Alaska." She said SB 88 is an opportunity to shift the message.

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MS. PARADY reviewed slide 15, "Solutions:"

Offering a defined benefits option to Alaska's Educators

- Will help close the gap in retention and in Alaska's School
- Will attract new teachers to the state

3:01:23 PM

SENATOR BISHOP directed attention to slide 15 and asked whether a bulleted statement that read "will improve student reading

proficiency to 85.8 percent" could be added to the slide based on the data presented.

MS. PARADAY replied that she was not sure about the percentage, but she expressed her belief school districts will see increased student achievement if the legislation passes.

[3:02:10 PM](#)

SENATOR MERRICK asked if she had any changes or suggestions for SB 88.

MS. PARADY said that ASCA members are examining the bill line by line. ASCA has the overall support of members to move in the direction of SB 88 and will bring prospective changes forward. She said ASCA is in alignment with the bill, and this is the right start. Changes, if any, that come forward will be reasonable and come from the perspective of how to retain and attract teachers, substitute teachers, paraprofessionals, principals, superintendents, bus drivers, and every person working for a school district. It does not matter whether the school district is urban or rural; the need is statewide.

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At ease.

[3:03:58 PM](#)

CHAIR BJORKMAN reconvened the meeting and asked Jordan Adams to put himself on the record and begin his testimony.

[3:04:12 PM](#)

JORDAN ADAMS, Business Manager, Public Employees Local 71, Anchorage, Alaska, gave invited testimony in support of SB 88. He said Local 71 is a statewide union composed of blue-collar essential workers, equipment operators, light and heavy-duty mechanics, carpenters, electricians, building maintenance, and custodians. Local 71 plows 20,000 road miles, and maintains three international airports and critical infrastructure. Union services ensure the safety of the traveling public and commerce.

MR. ADAMS said the retirement systems must be addressed with the rising cost of living and job vacancies. The state cannot keep or attract qualified workers with noncompetitive wages and benefits. A shortage of workers means gaps, which directly affect services provided to Alaskans. SB 88 is a step in the right direction.

MR. ADAMS said this legislation is just one piece of the puzzle. Wages and benefits go hand in hand. Public sector work has never paid more than private, but the benefits used to be comparable. He said that with less desirable wage and benefit package, the state has rendered itself uncompetitive and now faces the reality of being unable to attract qualified workers.

MR. ADAMS said the skills required for many positions that Local 71 represents are advanced journeys, meaning many certificated and licensed training hours. These essential direct service positions keep Alaska moving.

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MR. ADAMS said Alaska is the only state not offering secure defined benefits for public employees. The current retirement plan does not provide the incentives offered under previous tiers. The state has an opportunity to right this ship. SB 88 can start that process. Local 71 public employees have lived with the Tier IV retirement plan for over 16 years. The plan underwhelms many applicants; the benefits differ from what they expected. Applicants weigh this factor heavily when deciding whether to work for the state. Staffing shortages are hurting every department. Some departments are understaffed by 30 percent or more. Snow events and emergencies are more difficult than ever to overcome, not simply because of the weather. He said crews are understaffed and do not have the capacity to keep up, resulting in overworked staff and unstable work schedules. All hands on deck is not a permanent solution; the limited number of staff is causing employees to burn out.

MR. ADAMS said that the high vacancy rates are not sustainable. Local 71 needs the tools to repair its overworked and underappreciated workforce, and the union is asking for that change. State jobs have merely become a training ground for employees. Once skills are acquired, newly trained employees and their mobile 401(k)s leave for better positions outside state employment. The state is failing itself by not offering the wages and benefits to retain qualified workers and allowing monies invested in skilled workers to walk out the door.

MR. ADAMS said in closing that the state of Alaska has lost its ability to be a serious contender in an increasingly competitive marketplace, resulting in the inability to bring on a qualified workforce. He said the incoming infrastructure funds will lead to an increase in the demand for qualified blue-collar workers. He said that if these issues are not fixed soon, the state may be unable to fix them. Public safety cannot respond, airports

close during storms, people cannot commute to work, and emergency services are impacted without a stable workforce. He thanked the committee for its time and asked members to talk with their colleagues to find a retirement solution for all public employees.

[3:08:42 PM](#)

There being no further business to come before the committee, Chair Bjorkman adjourned the Senate Labor and Commerce Standing Committee meeting at 3:08 p.m.