

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

March 17, 2023

1:32 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. 70

"An Act relating to coverage for additional insureds under owner and contractor controlled insurance programs; and providing for an effective date."

- HEARD & HELD

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 & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 70

SHORT TITLE: OWNER & CONTRACTOR CONTROLLED INSURANCE

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

02/15/23	(S)	READ THE FIRST TIME - REFERRALS
02/15/23	(S)	L&C
02/17/23	(S)	JUD REFERRAL ADDED AFTER L&C
02/20/23	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)

02/20/23 (S) Heard & Held
02/20/23 (S) MINUTE(L&C)
03/01/23 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
03/01/23 (S) -- Public Testimony --
03/17/23 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 88

SHORT TITLE: RETIREMENT SYSTEMS; DEFINED BENEFIT OPT.

SPONSOR(s): GIESSEL

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)
03/15/23 (S) Heard & Held
03/15/23 (S) MINUTE(L&C)
03/17/23 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

LORI WING-HEIER, Director
Division of Insurance
Department of Commerce, Community and Economic Development
Anchorage, Alaska

POSITION STATEMENT: Provided a recap of SB 70.

MARGE STONEKING, Alaska Associate State Director of Advocacy
American Association of Retired Persons-Alaska (AARP-Alaska)
Anchorage, Alaska

POSITION STATEMENT: Offered invited testimony on SB 88.

TOM KLAAMEYER, President
National Education Association-Alaska (NEA-Alaska)
Anchorage, Alaska

POSITION STATEMENT: Offered invited testimony on SB 88.

LON GARRISON, Executive Director
Association of Alaska School Boards (AASB)
Juneau, Alaska

POSITION STATEMENT: Offered invited testimony on SB 88.

DARRELL EVANS, President
Anchorage Police Department Employees Association
Anchorage, Alaska

POSITION STATEMENT: Offered invited testimony on SB 88.

KEITH BRAINARD, Research Director
National Association of State Retirement Administrators
Austin, Texas

POSITION STATEMENT: Offered invited testimony on SB 88.

JOHN DUFFY, representing self
Mat-Su Valley, Alaska

POSITION STATEMENT: Offered invited testimony on SB 88.

DOMINIC LOZANO, President
Alaska Professional Fire Fighters Association (AKPFFA)
Fairbanks, Alaska

POSITION STATEMENT: Offered invited testimony on SB 88.

CHRISTOPHER WRIGHT, representing self
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to SB 88.

SARAH CANNARD, member
Alaska Professional Firefighters Association; IAFF Local 4303
Juneau, Alaska

POSITION STATEMENT: Testified in support of SB 88.

CONOR KINCAID, member
Juneau Career Firefighters IAFF Local 4303
Juneau, Alaska

POSITION STATEMENT: Testified in support of SB 88.

NICK CLARK, President
Fairbanks Firefighters Union Local 1324
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of SB 88.

COREY AIST, President
Anchorage Education Association (AEA)
Anchorage, Alaska

POSITION STATEMENT: Testified in support of SB 88.

NICK STEELE, representing self
Kodiak, Alaska

POSITION STATEMENT: Testified in support of SB 88.

NATHAN ERFURTH, President
Kenai Peninsula Education Association
Kenai, Alaska

POSITION STATEMENT: Testified in support of SB 88.

HEATHER BAKER, representing self
Soldotna, Alaska

POSITION STATEMENT: Testified in support of SB 88.

SHANE WESTCOTT, member

Alaska Professional Fire Fighters Association and Local 1264
Anchorage, Alaska

POSITION STATEMENT: Testified in support of SB 88.

ACTION NARRATIVE

[1:32:02 PM](#)

CHAIR JESSE BJORKMAN called the Senate Labor and Commerce Standing Committee meeting to order at 1:32 p.m. Present at the call to order were Senators Gray-Jackson, Dunbar, Merrick, Bishop, and Chair Bjorkman.

SB 70-OWNER & CONTRACTOR CONTROLLED INSURANCE

[1:33:07 PM](#)

CHAIR BJORKMAN announced the consideration of SENATE BILL NO. 70 "An Act relating to coverage for additional insureds under owner and contractor controlled insurance programs; and providing for an effective date."

He asked Ms. Wing-Heier to provide a summary of the bill.

[1:33:36 PM](#)

LORI WING-HEIER, Director, Division of Insurance, Department of Commerce, Community and Economic Development, Anchorage, Alaska, provided a recap of SB 70. She reminded the members that during the previous hearing she said to expect an amendment. She explained that the division originally thought that deleting paragraph (4) from Section 1 addressed an issue regarding additional insureds. Insurance brokers and others disagreed and the division decided to restore paragraph (4) and add language to clarify that additional insureds are allowed on insurance policies if required by contract. This is what the amendment does. She provided an example.

CHAIR BJORKMAN solicited a motion.

[1:35:46 PM](#)

SENATOR BISHOP moved to adopt Amendment 1, work order 33-GS1009\A.2, for SB 70.

AMENDMENT 1

OFFERED IN THE SENATE
TO: SB 70

Page 1, line 9:
Delete "or

Page 1, line 11 - 13:
Delete "[; OR

(4) INSURANCE POLICIES ENDORSED TO NAME ONE
OR MORE PERSONS AS ADDITIONAL INSURED] "

Insert "; or

(4) insurance policies endorsed to name one
or more persons as additional insureds, if
naming a person as an additional insured is
a term required by a contract; this
paragraph does not apply to an owner
controlled or contractor controlled
insurance program for a major construction
project"

[1:36:09 PM](#)

CHAIR BJORKMAN found no objection and Amendment 1 was adopted.

[1:36:20 PM](#)

CHAIR BJORKMAN held SB 70 in committee.

[1:36:24 PM](#)

At ease.

SB 88-RETIREMENT SYSTEMS; DEFINED BENEFIT OPT.

[1:37:48 PM](#)

CHAIR BJORKMAN reconvened the meeting and 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."

He stated his intention to finish invited testimony and hear public testimony.

1:38:22 PM

MARGE STONEKING, Alaska Associate State Director of Advocacy, American Association of Retired Persons-Alaska (AARP-Alaska), Anchorage, Alaska, offered invited testimony on SB 88 paraphrasing from the following prepared statement:

Good afternoon, Chair Bjorkman and members of the committee. I'm Marge Stoneking with AARP Alaska.

Older Alaskans deserve to retire with independence, security, and dignity. As you may know, AARP is the largest nonprofit, nonpartisan organization representing the interests of Americans age 50 and older and their families. Financial and health security are key components of our advocacy agenda.

AARP strongly believes that all individuals have the right to be self-reliant and live with dignity in retirement. We further believe that Americans of all ages, including those in Alaska, are faced with a crisis where the goal of achieving an adequate and secure retirement is becoming increasingly difficult.

For most Americans, Social Security income is the foundation of financial security in retirement. However, many of Alaska's public employees do not get to participate in Social Security. As a result, it is even more important that we provide them a modest, guaranteed pension they cannot outlive to help ensure financial security throughout their retirement years.

As discussions on SB88 continue, we urge our policymakers to keep in mind the purpose of defined benefit pension plans, which include providing retirement security for teachers, police officers, firefighters, and other public employees, as well as attracting and retaining the most qualified

individuals to serve Alaska's residents, in a way that is most cost efficient for taxpayers.

A defined benefit pension plan would allow Alaska and our employees to achieve these goals. Like SB88 would enable, these plans typically require mandatory participation by employees and shared financing through contributions from both employees and governments. Assets are pooled and professionally managed to take advantage of lower fees, and greater portfolio diversity, and economies of scale help manage for targeted income replacement to better ensure dignity and financial independence in retirement; and mandatory annuitization provides a benefit retirees cannot outlive.

1:40:42 PM

MS. STONEKING continued:

It is not surprising that defined benefit pensions increase retirement security and therefore reduce reliance on social safety nets. In fact, according to a study by the National Institute on Retirement Security (NIRS), older households without a pension are nine times more likely to live in poverty. That is up from six times greater in 2006.

Moving away from defined benefit pensions has meant that our impacted essential public servants have been on their own to invest for their retirement. Numerous studies over a long span of years have detailed how the average investor is unable to accumulate the resources he or she needs for retirement because of inexperience.

In fact, our public employees are currently facing the risk of poor investment returns, the risk that they might outlive their assets, and the risk that inflation will erode the value of their income in retirement. These risks are a reality for many because, once again, most of Alaska's public employees DO NOT receive Social Security.

Without a modest, lifetime retirement benefit, more of Alaska's valued public employees may come to rely on public assistance - an environment our state does not want to enable for teachers, public safety

professionals, and other public servants. Greater reliance on government subsidies increases costs for all, and chips away at the ability to live with dignity and self-sufficiency in one's retirement years.

Alaska's inability to offer our public employees a semblance of retirement security - the kind provided by a defined benefit pension - has put us at a significant disadvantage as compared to other states in recruiting and retaining a qualified workforce and consequently hindered our ability to provide reliable public services which is also impacting older Alaskans.

I will leave you with a data point from our 2022 AARP Alaska Voter Survey:

61 percent of 50+ Alaskan voters polled said they would be more likely to back a candidate who supports restoring pension benefits for public safety, teachers, and other state employees. AARP Alaska is happy to work with the Legislature to achieve that end and we support SB88 to do so.

Thank you for your time today.

[1:44:07 PM](#)

TOM KLAAMEYER, President, National Education Association-Alaska (NEA-Alaska), Anchorage, Alaska, offered invited testimony on SB 88 paraphrasing from the following prepared statement:

For the record, my name is Tom Klaameyer. I'm a high school social studies teacher, currently serving as the President of NEA-Alaska.

First, I would like to express sincere gratitude to Senator Giessel, her staff, and the legislation's co-sponsors for introducing this bill. Thank you, Chairman Bjorkman, and members of the Senate Labor and Commerce Committee for hearing this legislation and for the opportunity to speak to you today.

I am here today to offer my support for Senate Bill 88.

Alaska is facing its worst educator recruitment and retention crisis in our state's history. We have seen

this impact students and families across the state with vacant positions, rolling bus blackouts and, in some instances, because of food nutritionist shortage, rather than being served a standard, healthy, hot lunch, students are being handed "chicken jerky, Cheez-Its, raisins, and shelf-stable milk." We also know that not all students have access to trained librarians or even mental health counselors.

[1:45:09 PM](#)

MR. KLAAMEYER continued:

This past Monday in the House Education Committee, Education Commissioner designee, Susan McKenzie, testified that this school year Alaska had roughly 394 first-day vacancies for teachers. This means that almost 400 classrooms began this school year without a teacher, more than 2 ½ times the only 155 first-day vacancies in 2019. Those 400 missing adults don't even include the many more unfilled positions for paraprofessionals, aides, reading specialists, bus drivers and more - who are all vital in making schools work. When completing exit surveys for the Anchorage School District in 2020 and 2021, 28% and 30%, respectively, of departing teachers cited "retirement" as one of the three most significant reasons for their departure from ASD. We can see this statewide, Dr. Parady referenced the work of the Governor's Teacher Retention and Recruitment Task Force which has repeatedly identified retirement reform as a top policy to improve educator retention and recruitment. And more to the point - (I know the ISER data on this has been shared with you previously), but it bears repeating that in Alaska, we know that high rates of teacher retention are correlated with greater student achievement.

If we want to move the needle and improve outcomes for our students, specifically with improved reading scores - we absolutely must provide additional stability in the workforce. Clearly, it's not just teachers; its administrators, superintendents and all of the many other education professionals critical to the overall functioning of schools. The worst employee shortage in education is actually one that hasn't been formally studied as much, but we hear about every day - and that is the incredible turnover rates among our

education support professionals (or ESPs, as we call them) - paraprofessionals, clerical staff, custodians, etc. Our ESPs are critical to the operations of a high-functioning learning environment but are the lowest-paid positions and facing the same retirement insecurity.

Alaska's educators have been advocating for the restoration of Defined Benefits retirement since TRS III/PERS IV was created in 2006. We have watched as some of the best and brightest educators have looked carefully at an equation where we have,

No Social Security

No option to earn a pension

And a defined contribution retirement that, by the State of Alaska's own projections, gives employees only a dismal 30 percent chance of success. With success being defined simply as not entirely running out of money and facing destitution in your old age.

...and that equation simply does not add up to staying in Alaska.

[1:48:23 PM](#)

MR. KLAAMEYER continued:

Alaska is the only state in the country where a certificated teacher, school administrator or other certificated public school employee can earn NEITHER Social Security, or pension from their public employer. You can see a chart detailing all other states' retirement options for teachers from the National Institute of Retirement Security in your bill packet.

Alaska educators support Senate Bill 88.

Without a change in the retirement system, Alaska will continue to hemorrhage our best and our brightest educators, and our students will continue to experience a revolving door of adults in their schools. The Alaska economy will continue to be stifled by a public education system that is hobbled by an unsustainable turnover of teachers, administrators, and education support professionals. Should SB 88 pass, on the other hand, Alaska families and students will benefit from additional stability in

our education workforce and beyond. The Alaska economy will benefit from increased stability and experience in our public sector workforce from bus drivers to plow truck drivers, from career and technical education teachers to the staff processing professional licenses and resource development permits.

In his State of the State address, Governor Dunleavy said the following:

"We need more people solving Alaska's problems, and the world's. We need more families achieving the American dream. People are not a nebulous, abstract concept. People are what this is all about. Everything we do is for the people, or it should be. "Government is about serving people, and the people are why we're here: the people of Alaska today, and certainly the people of Alaska tomorrow. That's important to remember: there is no tomorrow without more people. We can never lose sight of that."

NEA-Alaska members wholeheartedly agree. For Alaska to thrive, public employees need the security of a defined benefit pension - we need to pass Senate Bill 88.

Thank you for your time and attention.

[1:51:54 PM](#)

LON GARRISON, Executive Director, Association of Alaska School Boards (AASB), Juneau, Alaska, testified in support of SB 88 paraphrasing from the following prepared statement:

Chair Bjorkman and members of the Senate Labor & Commerce Committee. My name is Lon Garrison. I serve as the Executive Director of the Association of Alaska School Boards. We are a nonprofit association established in 1954, serving 52 of Alaska's 54 school districts. Thank you for this opportunity to speak today in support of **SB88 RETIREMENT SYSTEMS; DEFINED BENEFIT OPTION.**

AASB's Board of Directors has adopted three legislative priorities for this year. They are:

- sufficient, sustainable, predictable education funding

- retention and recruitment of teachers, administrators, and staff
- student wellness and safety

These priorities and the supporting resolutions and beliefs of the AASB membership are appended to this testimony.

AASB has long supported a return to a defined benefit program as a preferred option for staff retirement investments. In 2005, the AASB membership adopted the following resolution and has maintained its strong support for reconstituting a defined benefit option.

4.7 RELATING TO DEFINED BENEFIT RETIREMENT

AASB supports the establishment of a defined benefit retirement program that improves the hiring and retention of highly qualified and effective staff.

Adopted 2005

Amended 2008, 2010, 2013, 2016, 2019

School districts face an unprecedented crisis of retaining and recruiting qualified, effective teachers, administrators and support staff. This personnel crisis seriously hinders our ability to provide Alaska students with a quality education. It makes it extremely difficult for school boards to fulfill the state's constitutional responsibility to provide that quality public education for every student every day.

As you have heard many times before, one of the single most important determinants of whether a student succeeds in school is the quality of the educator that works with the student. While effective learning requires a high-quality teacher, the entire school system must support that crucial opportunity for that teacher and student to be together. This means a multitude of other staff is needed to make the learning experience the best that it can be.

[1:54:21 PM](#)

MR. GARRISON continued:

My colleagues have previously provided you with information and statistics about Alaska's retention,

recruitment, and turnover crisis with education staff. That information portrays school districts' challenges in having the staff necessary to fulfill their missions.

Out of curiosity, Yesterday, March 16, I checked the Alaska Teacher Placement website, and it revealed the following startling numbers. A total of 1,481 positions are currently open, of which 360 are teachers, 81 are administrators, 233 are student support services, and the remaining 807 are a variety of positions needed to operate a school district effectively.

This year, school boards across the state are facing some of the most significant challenges they have ever faced in deciding how to allocate rapidly dwindling resources in order to provide a public education. The scarcity of applicants coupled with lack of adequate education funding results in districts experiencing staff shortages that further exacerbate the crisis. The lack of a defined benefit retirement option is one more strike against Alaska's ability to retain or recruit the public service employees we need.

[1:55:52 PM](#)

MR. GARRISON continued:

SB 88 is a common-sense proposal to return to a retirement system that incentivizes educational professionals to invest dedicating their careers to service in Alaska. SB 88 incorporates lessons learned from the past, shares the risk with participants, and establishes retirement age and qualification parameters that are more appropriate for today. SB 88 maintains the current contribution rates by school districts for PERS and TRS, which is a relief. I want to acknowledge that districts, municipalities, and boroughs still struggle with these contributions, given the ever-increasing rise in healthcare costs and liability insurance that have driven dramatic rises in the overall cost of employees.

Last week, during a meeting AASB facilitated between school board members and their legislators, the question was asked by a senator, "what is the difference between spending and investment?" A board

member responded, "Investment implies an expectation of a beneficial dividend or outcome. Spending is a response to an expense."

Investment in the long-term viability and retention of quality staff is not without risk. However, SB 88 is an effort that works to manage that risk while providing a dividend that ensures that we can recruit and retain staff, with the ultimate benefit being better student outcomes. AASB urges the Alaska legislature to be bold and responsive. Make Alaska competitive in the public sector employment marketplace; this is an investment in our students, communities, and state.

Thank you for the opportunity to testify today.

1:58:29 PM

DARRELL EVANS, President, Anchorage Police Department (APD) Employees Association, Anchorage, Alaska, offered invited testimony on SB 88. He described his professional experience which included 28 years as an Alaskan police officer and involvement at the Sitka trooper and Anchorage police academies. He stated that APD currently has 34 sworn officer vacancies. At February's end, 10 sworn officers left the department, four were retirees and six left for other reasons. The current APD academy began with 15 recruits and is now down to 12. The department can run two academies per year with 28 recruits, but it's been years since an academy was larger than 20. He calculated that APD was on track to lose 60 officers by the end of 2023. If the department is fortunate enough to have 15-20 recruits in each academy, APD will be down 20 officers at the current rate.

He highlighted that agencies in the Lower 48 are aware of the high-quality training in Alaska's academies and are quick to recruit Alaska's young officers. One enticement is a defined benefits plan. He continued that after one year, new officers are eligible to receive a basic certificate from the Alaska Police Standards Council, rendering them highly marketable; the certificate is their ticket to leave Alaska. He stated support for SB 88, emphasizing that law enforcement was in a recruiting and retention crisis.

2:06:17 PM

SENATOR BISHOP asked what it costs for a recruit to attend the academy.

[2:06:27 PM](#)

DARRELL EVANS answered that training and equipment items are issued to new recruits, including a mandatory vehicle. Some are disposable and some are returned for reissue. Training costs approximately \$150,000, including the recruit's salary.

[2:07:18 PM](#)

SENATOR BISHOP said he heard anecdotally that the high-quality training at the Sitka trooper academy is second to none. After six years on the job, some officers are inclined to relocate to other departments that have a defined benefit program, and other states are glad to recruit them because they could enter the new force at a detective level given the quality of their training.

[2:07:59 PM](#)

DARRELL EVANS responded that he had heard that. He has traveled and trained in other states and APD and Sitka trooper training was second to none.

[2:08:44 PM](#)

SENATOR DUNBAR recalled academy graduate numbers being higher; commented that he was disturbed by the decline; and asked about the impact on municipal budget in terms of overtime and morale of the force in terms of burnout amongst officers.

[2:09:38 PM](#)

DARRELL EVANS replied that when he was a night shift patrol supervisor, there was rarely a shift that did not have to back filled with on-call officers who were on leave, ill, or still in training. The main complaint is that officers cannot get the leave they have requested and earned. As a leave sergeant he denied more leave than he approved. Officers were once happy to earn overtime, but now they decline to work extra hours because they cannot even get days off.

[2:12:14 PM](#)

KEITH BRAINARD, Research Director, National Association of State Retirement Administrators (NASRA), Austin, Texas, offered invited testimony on SB 88. He posited that it was possible to design a retirement plan that meets the needs of public employees, employers, and taxpayers. A retirement plan doesn't have to create unfunded liabilities and costs can be controlled. SB 88 accomplishes these objectives. NASRA supports retirement plans with features such as cost sharing between employees and employers, assets that are pooled and professionally managed, targeted income replacement with a certain percentage of pre-retirement wages at a specified age or years of public service,

an orderly progression of personnel for employers, lifetime benefit payouts the employee cannot outlive, and survivor/disability benefits.

MR. BRAINARD stated that these core features are known to promote employees' retirement security, to reduce expenses and to enhance the ability of employers to attract and retain employees. In 2005 when Alaska switched to a defined contribution plan, risk sharing plans were far less common and less developed than they are today. Over the last 18 years, there has been a significant evolution in public retirement plan design. Risk sharing plan designs are more common, better developed, and better understood than they were in 2005. NASRA published a paper in 2019 describing many examples of innovative risk sharing retirement plan designs in use among the states and local governments. Such designs meet the needs of all stakeholders while also protecting employers and taxpayers against unsustainable increases and unfunded liabilities and costs.

[2:16:09 PM](#)

MR. BRAINARD provided three specific examples from South Dakota, Colorado, and Texas:

The South Dakota retirement system has offered all public employees a defined benefit plan with fixed contribution rates for years. Since 2002, that contribution rate for employees and employers alike has been 6 percent, and 8 percent for public safety personnel. The South Dakota retirement system has no unfunded liability, which was accomplished by making benefits variable. When the plan's actuarial experience falls short of expectations, benefits are adjusted so the plan remains fully funded and the fixed contribution rate remains adequate.

In 2018, Colorado established risk sharing features in its retirement plan for teachers and employees of state and local government. This plan allows for incremental increases in employee contribution rates up to 2 percent in total, like SB 88, and adjustments in the cost-of-living adjustment if specified actuarial and funding targets are not met.

Finally, in Houston, Texas a 2017 plan design applied to the city's retirement plans for firefighters, police officers and general employees. The central feature of the Houston plan is a contribution corridor arrangement that restricts the change in the employer contribution rate to 5 percent of pay. If the required cost of the plan strays from the target rate, specified

changes take effect to bring the contribution rate back into the 5 percent corridor. All three plans have proven effective for all parties.

MR. BRAINARD stated that SB 88 proposes a trigger to increase employee contribution rates should the plan funding level fall below 70 percent. It would prohibit paying a COLA if the plan's funded level is below 90 percent. These provisions will help protect against higher liabilities and costs and are consistent with other recent retirement plans. They also contain risk-sharing mechanisms designed to shield public employers and taxpayers from the effects of negative actuarial experience while still promoting the ability of employers to retain qualified workers and of employees to retire with an adequate income. SB 88 would return Alaska to the mainstream of public retirement policy and strengthen the ability of schools, police and fire departments, and other public employers to attract and retain qualified and essential public employees.

[2:19:14 PM](#)

SENATOR DUNBAR noted that the current plan does not include health benefits but instead keeps the health savings accounts that exist in Alaska's current Tier IV system. He asked if it was mainstream in other states to provide lifetime health benefits or if it was more common to have health savings accounts.

MR. BRAINARD answered that retirement benefits across the country run a wide range and are difficult to characterize. There has been a movement toward defined contribution plans in which the employer's obligation is focused on the contribution rather than open-ended healthcare benefits.

SENATOR DUNBAR asked him to specify why.

MR. BRAINARD said that healthcare was beyond his expertise but having an open-ended benefit structure could create uncertainty and increase costs.

SENATOR DUNBAR asked if it was fair to say that SB 88 does not do this, but instead reduces risk to the state.

KEITH BRAINARD replied yes.

[2:21:37 PM](#)

SENATOR BJORKMAN asked what type of training he had to evaluate these kinds of plans.

MR. BRAINARD answered that he worked five years as a fiscal analyst for two legislators; seven years as an analyst for the Arizona state retirement system; 20 years at NASRA reviewing annual financial reports and actuarial valuations and compiling the data for policymakers and NASRA members; 10 years on the Texas pension review board, eight as chair of the actuarial committee. He recapped that he had spent 30 years of his career analyzing public pension and public retirement issues including financial data and actuarial data.

[2:22:47 PM](#)

SENATOR BJORKMAN asked what his batting average is to correctly predict successful retirement elements.

MR. BRAINARD stated that he bats well over 500.

SENATOR BJORKMAN said if a batter hits 300, he's Hall of Fame material, so 500 is very good. He asked Mr. Brainard to review why he believes SB 88, as presented, would not increase the unfunded liability but would reduce costs.

MR. BRAINARD answered that he could not confirm that SB 88 would not increase liabilities. But increasing employee contribution rates and paying no cost-of-living adjustment if the plan falls below a certain funding threshold, the chances of a sustained increase in unfunded liabilities, especially allowing unfunded liabilities to get out of hand, is significantly diminished.

SENATOR BJORKMAN asked how a plan like this would reduce costs.

[2:24:46 PM](#)

MR. BRAINARD replied that the NERS report reveals a better bang for the buck by pooling assets for all plan participants. That allows the plan to invest for the entire group for the average life expectancy, rather than requiring individuals to save and invest on their own. That lowers the cost of the plan because contributions are only for the average life expectancy of the plan participants. In addition, pooling assets reduces the cost and generates a higher investment return than individuals generate on their own. This plan can achieve the same level of benefit at half the cost.

SENATOR BISHOP asked whether Texas public employees have a defined benefit plan.

KEITH BRAINARD answered yes.

SENATOR BISHOP asked what the benefit calculation is for teachers in Texas.

KEITH BRAINARD answered that 2.3 percent is the retirement multiplier. Most of the teachers do not participate in Social Security.

SENATOR BISHOP invited him to follow up on other public sector defined benefit plans.

MR. BRAINARD said the Texas state employee retirement system switched from a traditional defined benefit plan to a cash balance plan last September. The major difference is that benefits are affected by the investment performance of the fund.

[2:27:55 PM](#)

JOHN DUFFY, representing self, Mat-Su Valley, Alaska, offered invited testimony in support of SB 88. He stated that his testimony was based on his prior experience as the manager of the Mat-Su Borough. He stated support for SB 88, which reestablishes a defined benefit system for civil servants working in Alaska. The current system is not competitive in the labor market with other states. Workers have better financial and retirement opportunities elsewhere. He experienced this firsthand when the borough changed its defined benefit system to a defined contribution system. They immediately had difficulty attracting qualified applicants. He distinctly remembers how difficult it was to recruit a qualified borough assessor and keep the individual in the position. The new assessor left within two years because the salary was not sufficient for long-term retirement. The Mat-Su Borough invests significant time and effort to train employees only to lose them to places that offer retirement packages, primarily defined benefit plans.

[2:30:41 PM](#)

JOHN DUFFY stated that Alaska has become a training academy for the Lower 48 and Hawaii. The existing retirement system creates a financial incentive to leave Alaska. SB 88 provides a reasonable defined benefit system that is affordable and diversifies risk among employers, employees, and retirees. It will go a long way towards making Alaska competitive in the public sector market and help resolve the challenges of recruiting and retaining competent professional public service workers. He reiterated support for SB 88.

[2:33:03 PM](#)

SENATOR DUNBAR had two questions. First, he asked Mr. Duffy to talk about the lengths the borough went to find and recruit employees. Second, he asked him to speak about the effect on the private sector when local governments aren't able to recruit and retain qualified employees.

[2:33:49 PM](#)

MR. DUFFY answered that without sufficient qualified employees, it takes the borough much longer to provide services that the private sector expects such as approving a subdivision plat or a driveway permit, and it contributes to longer training times when new employees are hired. He described it as a cascading effect, resulting in delays in providing timely services. Additionally, the loss of experienced workers negatively affects timely emergency response and recovery.

[2:35:39 PM](#)

SENATOR DUNBAR reiterated his query regarding efforts to recruit employees.

[2:35:49 PM](#)

JOHN DUFFY answered that after the change to a defined contribution program, the pool of applicants became drastically smaller and most were from the Lower 48. This caused concerns about whether these individuals would stay in Alaska long term. He said recruiting took longer and the borough had to offer higher salaries because of the contribution plan. Once trained, new employees often would leave, wasting the initial investment in their employment.

[2:38:48 PM](#)

DOMINIC LOZANO, President, Alaska Professional Fire Fighters Association (AKPFFA), Fairbanks, Alaska, offered invited testimony on SB 88. He explained that he has been a battalion chief for the Fairbanks Fire Department for the last 23 years. He stated that in 2004 he testified before a similar committee on Senate Bill 141, regarding changing to a defined contribution system. He was a new firefighter at the time and didn't know the difference between a pension system and a 401(k), but after doing some research he saw the alarming inadequacy of a defined contribution system and what this change would do to the state in the future. Alaska's pension plans experienced large losses in the early 2000s as a result of poor actuarial advice without fail safes, reduced contributions to the plan during high market performance years, and then some down market years. He opined that the combination of those three factors resulted in a knee jerk reaction into the defined contribution plan. He said people

were told that Alaska would lead the country into a new era of defined contribution, but no states have followed Alaska into the defined contribution world.

2:41:15 PM

MR. LOZANO noted that in the same time period, the state made good decisions by creating backups to actuarial assumptions, bringing in multiple experts to evaluate the work, and making mandatory contributions and large deposits into the fund to pay off past service costs. What the State of Alaska did not do is to follow the performance of the defined contribution plan for its employees. Employee groups have been sounding the alarm for more than ten years as they have seen the effects of changing to the defined contribution system.

MR. LOZANO stated that the Alaska Professional Firefighters Association has been working with legislators in a number of different legislatures to fix this troubling recruitment and retention crisis and give public safety employees retirement security. He asserted that SB 88 is a reasonable defined benefit plan that shares risks, is financially conservative, and incorporates best practices from pension plans throughout the nation. Over the years, firefighters have been given bonuses, wage increases, and employee satisfaction surveys, yet alarming vacancy rates amongst all state departments continue. Even more worrisome is the unprecedented number of employees who have left public safety since 2006. People who have left Alaska wanted to stay and raise their families here, but they left nonetheless. He emphasized the importance of offering better schools and safer communities, both of which come with retirement security. He reiterated support for SB 88.

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At ease.

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CHAIR BJORKMAN reconvened the meeting and opened public testimony on SB 88, noting that written comments can be submitted at slac@akleg.gov.

2:50:09 PM

CHRISTOPHER WRIGHT, representing self, Anchorage, Alaska, testified in opposition to SB 88, paraphrasing from the following prepared statement:

Mr. Chair and members of the Committee, my name is Christopher Wright. I am from Anchorage, AK and am

representing myself. The views I am expressing are mine and not the Department I work for nor any Boards I serve on. I am a Law Enforcement Officer and thus a direct stakeholder in the proposed Pension. I am asking you to reject a return to a pension system that will not benefit individual police officers. It is also not supported by many public safety workers and stakeholders for which it is designed. Overall pensions are an outdated and poor way of providing retirement benefits to workers. I bring a unique perspective, work experience, and expertise on this topic. I have been a Police Officer for 5 years. Prior to, I worked in Investment Management for 20 years. I "retired from Wall Street" to become a Police Officer. I consider it an honor to serve the community I live in. Many of the stated goals of the Pension Plan will hurt Officers. It will take away flexibility, career growth opportunities, and life choices. The entire concept of forcing police officers to stay in a job handcuffed is an abject outcome and should rightfully be rejected by any Community. My previous career was extremely rewarding as I saw my Firm's clients reap the rewards of long term investing. Much of these rewards were directly tied to the Nationwide transition away from Defined Benefits and to Defined contribution 401(k) systems. The wealth built by millions of average income Americans is directly tied to this transition. It is foolish to allow Market Risk to force investors into a "guaranteed" investment. The cost of that guarantee is enormous! The State of Alaska, taxpayers, and Public Safety Workers deserve a cost specific alternative that allows for individual responsibility and rewards.

[2:52:40 PM](#)

SENATOR DUNBAR asked if he was aware that SB 88 does not require participants in defined contribution plans to join a defined benefit plan and whether that changes his opinion about his testimony.

[2:52:53 PM](#)

MR. WRIGHT answered that he won't be forced, adding that it's a loss of potential opportunity for better retirement for people who are here now. He said he believes the bill will hurt

retention and recruiting because people will have to make a lifetime commitment to work in Alaska.

[2:53:27 PM](#)

SENATOR BISHOP asked if he thought of himself as a competent money manager.

MR. WRIGHT answered that he can manage his own money but not other people's money.

SENATOR BISHOP asked how many of his colleagues are able to manage their own money.

[2:53:37 PM](#)

MR. WRIGHT answered that he believes his colleagues all can manage their money. He continued, "I believe that 401(k) systems are built for average income Americans for decades and the public sector has been left behind that transition."

[2:53:52 PM](#)

SENATOR BISHOP asked him to speak to the individual 401k investors who were left holding the bag in 2008 when the market bottomed out. Those investors did not have Taft Hartley plans.

MR. WRIGHT answered that markets will bounce back.

[2:55:16 PM](#)

SARAH CANNARD, member, Alaska Professional Firefighters Association (AKPFFA); IAFF Local 4303, Juneau, Alaska, testified in support of SB 88. She provided a perspective on working in a department that is currently not adequately staffed and what that means for Juneau taxpayers. She explained that two days ago the fire department lost yet another highly qualified firefighter and his wife who is in healthcare; they relocated to Washington, because of the strong support that department provides to firefighters. The Juneau fire department attempts to have three ambulances on the road at all times, but without adequate staffing it's necessary to take a vehicle out of service. It is heartbreaking when both ambulances are in service and a call comes in for cardiac arrest and neither ambulance can help that person right away. Previously, the department was able to rely on the volunteer corps, but over the last decade the volunteer corps had also declined. She highlighted that being a firefighter comes with significant risks not only to one's health but also post-retirement. She said Juneau firefighters and EMTs have seen the reality for those who do not have adequate resources after retirement. This reality forces

firefighters to confront stark choices, knowing where they could end up without the means to manage a 401(k).

[2:58:15 PM](#)

SENATOR DUNBAR inquired whether the family that moved to Washington state was an isolated incident or common because people are looking for benefit packages.

SARAH CANNARD answered that the fire rescue sector is saturated with openings and new recruits are shocked upon learning how retirement is set up in Alaska.

[2:59:42 PM](#)

CONOR KINCAID, member, Juneau Career Firefighters IAFF Local 4303, Juneau, Alaska, testified in support of SB 88. He and his spouse are both employees of Capital City Fire Rescue. They are Alaska-raised and love living here, but they're actively seeking jobs elsewhere that offer defined benefit retirement systems. Learning from previous testimonies about the staffing retention crisis of the school system raises concern about having a good school to send one's children to. Alaska wages have not kept up with other states, so working for less with less security is not appealing.

[3:01:19 PM](#)

NICK CLARK, President, Fairbanks Firefighters Union Local 1324, Fairbanks, Alaska, testified in support of SB 88. He relayed that both he and his spouse are participants in the defined contribution plan and would prefer a defined benefit program. In 2022, the department hired 15 people, which makes up a third of the whole department. Seventy percent of the department have less than five years of experience; this is known as the "hollowing out" of knowledge and experience. There are only six legacy chair members left with the Fairbanks Fire Department. Department. The same year, the university fire department struggled to fill two captain vacancies. In 2022, members worked 15,896 overtime hours and 9,474 were forced hours. That's 1,057 24-hour shifts split between 42 firefighters. Each firefighter worked an extra 2.5 months of shift time in 2020, nearly half of which was not voluntary. Members are leaving the state and starting families in the Lower 48. Members who leave say they feel forced to leave to ensure their financial security. He posited that having a secure retirement will keep firefighters in Alaska, whereas continuing with an inadequate defined contribution plan will force them to leave.

[3:03:53 PM](#)

COREY AIST, President, Anchorage Education Association (AEA), Anchorage, Alaska, testified in support of SB 88. He stated that SB 88 responds to the critical educator recruitment and retention crisis plaguing the Anchorage School District and the State of Alaska. Anchorage used to be one of the top destinations for educators in the country. The district offered competitive compensation and a benefits package that attracted top notch educators, but this is no longer true. Currently there are 538 open positions in the Anchorage School District. The university is only graduating about 150 teachers a year, so the state is only producing a small margin of what is needed in the Anchorage School District, let alone the statewide need. Returning to a state defined benefit program would allow the state to become more competitive during a national teacher shortage. Already this year, 256 educators have given notice of resignation. He said the district is in a staffing crisis.

3:06:30 PM

NICK STEELE, representing self, Kodiak, Alaska, testified in support of SB 88. He stated that he and his wife are teachers, they have a new baby, and they are concerned about the lack of a defined benefit retirement program for Alaskan educators, especially since this is the only state with no Social Security. Currently, teachers need to work for about 30 years to get the most out of healthcare. He opined that the best part about SB 88 is the option to either take the defined benefit or keep the 401(k) account. He related that a fellow educator who has 15 years of service has \$150,000 in her retirement account, which is less than three years of salary to support herself in retirement. He opined that SB 88 will make Alaska more competitive.

3:09:22 PM

NATHAN ERFURTH, President, Kenai Peninsula Education Association, Kenai, Alaska, testified in support of SB 88. He expressed support for SB 88 as an educator and a father. He mentioned having emotional conversations with educators who are leaving Alaska on a regular basis in the face of no defined benefit. Educators are willing to endure a lot for the profession and the students, but ultimately, they have an obligation to provide security to their families. Students and the economy suffer from the turnover; stability and investment in education results in increased outcomes, better schools, lower crime rates, and a more productive society. Teacher hiring fairs used to have hundreds of thousands of attendees and now candidates are sometimes outnumbered by districts that are

desperate to hire. He urged the committee to vote in favor of SB 88.

3:11:28 PM

HEATHER BAKER, representing self, Soldotna, Alaska, expressed support for SB 88 as an educator and a parent. She recapped her accomplishments and recognition as an excellent teacher and that the state might lose her if better retirement options aren't offered timely. She tells her children to plan ahead, realizing that she isn't taking her own advice. She received an offer in Washington where she would have a bigger paycheck, a hiring bonus, and a defined benefit retirement for less time than if she worked in Alaska. She said the simple truth is that Alaska isn't doing enough to retain quality educators. Vacancies and turnover is foreboding for the future of Alaska; she sees that the quality of her children's education is diminishing.

3:14:16 PM

SHANE WESTCOTT, member, Alaska Professional Fire Fighters Association; Local 1264, Anchorage, Alaska, testified in support of SB 88. He said SB 88 is a reasonable shared risk plan between the employee and the state.

3:15:40 PM

CHAIR BJORKMAN announced that he will leave public testimony open on SB 88 and hold the bill in committee. He reiterated that public testimony can be submitted to slac@akleg.gov.

3:16:23 PM

There being no further business to come before the committee, Chair Bjorkman adjourned the Senate Labor and Commerce Standing Committee meeting at 3:16 p.m.