

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

February 14, 2024

1:32 p.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Senator Click Bishop, Vice Chair

COMMITTEE CALENDAR

SENATE BILL NO. 147

"An Act relating to reemployment rights and benefits."

- HEARD AND HELD

SENATE BILL NO. 206

"An Act relating to workers' compensation reemployment benefits; establishing a workers' compensation stay-at-work program; and providing for an effective date."

- HEARD AND HELD

SENATE BILL NO. 135

"An Act establishing the Alaska Work and Save Program; establishing the Alaska Retirement Savings Board; and providing for an effective date."

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 147

SHORT TITLE: REEMPLOYMENT BENEFITS

SPONSOR(s): SENATOR(s) KAUFMAN

| | | |
|----------|-----|-----------------------------------|
| 05/11/23 | (S) | READ THE FIRST TIME - REFERRALS |
| 05/11/23 | (S) | L&C, FIN |
| 02/14/24 | (S) | L&C AT 1:30 PM BELTZ 105 (TSBldg) |

BILL: SB 206

SHORT TITLE: WORKERS' COMP. STAY-AT-WORK PROGRAM

SPONSOR(S): SENATOR(S) GRAY-JACKSON

01/24/24 (S) READ THE FIRST TIME - REFERRALS
01/24/24 (S) L&C, FIN
02/14/24 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 135

SHORT TITLE: AK WORK & SAVE PROGRAM; RETIRE. SAVINGS BD

SPONSOR(S): SENATOR(S) WIELECHOWSKI

04/24/23 (S) READ THE FIRST TIME - REFERRALS
04/24/23 (S) L&C, FIN
02/14/24 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

SENATOR JAMES KAUFMAN, District F
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Sponsor of SB 147.

DOMINICK HARNETT, Staff
Senator James Kaufman
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Read the sectional analysis for SB 147.

CHARLES COLLINS, Director
Division of Workers' Compensation
Department of Labor and Workforce Development (DOLWD)
Juneau, Alaska

POSITION STATEMENT: Testified by invitation on SB 147.

STACY NIWA, Reemployment Benefits Administrator
Division of Workers' Compensation
Department of Labor and Workforce Development (DOLWD)
Anchorage, Alaska

POSITION STATEMENT: Answered questions on SB 147.

LUMA DIAZ, Staff
Senator Elvi Gray-Jackson
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Read the sectional analysis for SB 206.

CHARLES COLLINS, Director
Division of Workers' Compensation
Department of Labor and Workforce Development (DOLWD)
POSITION STATEMENT: Testified by invitation on SB 206.

SENATOR BILL WIELECHOWSKI, District K
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Sponsor of SB 135.

HUNTER LOTTSFELDT, Staff
Senator Bill Wielechowski
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Gave a presentation on SB 135.

JENNIFER SAUER, Senior Research Advisor
Financial Resilience Research
American Association of Retired Persons (AARP)
Washington, D.C.
POSITION STATEMENT: Gave a presentation on SB 135.

HUNTER RAILEY, Director
Colorado Secure Savings Program
Colorado Department of the Treasury
Denver, Colorado
POSITION STATEMENT: Testified by invitation on SB 135.

PAM LEARY, Director
Treasury Division
Department of Revenue (DOR)
Juneau, Alaska
POSITION STATEMENT: Answered questions on SB 135.

LOUIS THEISS, representing self
Girdwood, Alaska
POSITION STATEMENT: Testified in support of SB 135.

MARGE STONEKING
American Association of Retired Persons (AARP)
Anchorage, Alaska
POSITION STATEMENT: Testified in support of SB 135.

ACTION NARRATIVE

[1:32:33 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, and Chair Bjorkman. Senator Merrick arrived during the meeting.

SB 147-REEMPLOYMENT BENEFITS

[1:33:47 PM](#)

CHAIR BJORKMAN announced the consideration of SENATE BILL NO. 147 "An Act relating to reemployment rights and benefits."

[1:34:03 PM](#)

SENATOR JAMES KAUFMAN, District F, Alaska State Legislature, Juneau, Alaska, sponsor of SB 147. He read gave the following overview of SB 147:

[Original punctuation provided.]

- SB 147, Reemployment Benefits, seeks to address some shortcomings in Alaska's Workers' Compensation system.
- Alaska can be a tough place to work, and injuries do occur. It is important we as a state help these injured workers rehabilitate with fair and predictable compensation. That way, we can keep more workers in our state.
- But Alaska's current system has not been working.
- In recent years, an average of 140 out of 550 evaluations performed each year were found eligible for the current systems rehabilitation plan, yet only an average of 13 workers fully finished the plan.
- SB 147 improves the workers' compensation system by fixing unnecessary administrative burdens and clarifying the role of stakeholders in the process.
- SB 147 also updates the reemployment plan cost to adjust for inflation. The amount currently in the statute was set in the year 2000 and has not been updated since.

- The primary objective of this legislation is to ensure that injured workers receive swift and fair access to indemnity and medical benefits while also promoting efficient return-to-work programs.
- By updating the system to better align with modern realities, we can reduce the economic burden of workplace injuries and illnesses on Alaskans, improve employment retention, and get more Alaskans back to work in our communities.
- Thank you for your consideration.
- My staff is ready go to through the Sectional if it is the will of the committee

[1:36:15 PM](#)

DOMINICK HARNETT, Staff, Senator James Kaufman, Alaska State Legislature, Juneau, Alaska, read the sectional analysis for SB 147:

[Original punctuation provided.]

**Sectional Analysis for SB 147 - Bill Version A
"An Act relating to reemployment rights and benefits;
and providing for an effective date."**

Section 1: Amends AS 23.30.041(b) to change the required date of submittal of a report of reemployment benefits for the previous calendar year. The original date of May 1st is changed to October 1st.

Section 2:

- Adds language to AS 23.30.041(c) stating that the administrator may order an eligibility evaluation if the employee is totally unable to return to the employee's employment for 90 consecutive days as a result of the injury. Currently these are required, without regard for whether an evaluation is warranted at that time.
- Increases the 90-day mandatory reemployment evaluation under AS 23.30.041 to 120 days.

Section 3:

- Increases eligibility evaluation time from 30 days to 60 days. This built-in 30-day extension allows us to remove language granting the administrator authority to provide a 30-day extension for the eligibility evaluation, which removes excessive reviews and extra unnecessary work for the administrator.
- Also, clarifies a usage of the word "it" by referring directly to "the hearing."

[1:37:48 PM](#)

MR. HARNETT continued with the sectional analysis for SB 147:

[Original punctuation provided.]

Section 4: Adds reference to training and employment services offered by the Department of Labor and Workforce Development, highlighting possible use of cross-departmental collaboration.

Section 5: Makes changes to AS 23.30.041(j)

- A reemployment plan must ensure remunerative employability (employability for a job in which an employee will be paid).
- Technical changes are made by changing "of" to "after" as well as splitting a paragraph into subsections.

Section 6: Increases the benefit under AS 23.30.041(1) from \$13,300 to \$22,150 and allows the department to adjust the cost limit for inflation through regulation.

Section 7: Includes changes to AS 39.25.158(b) which prioritize returning an employee to their former position rather than focusing on retraining an employee for another employment opportunity.

Section 8: Ensures that a relevant professional (a physician) certifies that the employee is able to perform the tasks assigned in their former position.

Section 9: This section specifies the applicability of the amendments in sections 7 and 8 to contracts or collective bargaining agreements that become legally binding on or after the effective date of these amendments. This Act is aimed at regulating and

improving the reemployment benefits and rights of injured employees in the State of Alaska, with a focus on rehabilitation plans and the responsibilities of the administrator.

[1:39:33 PM](#)

SENATOR DUNBAR asked for additional explanation for the switch to a physician in Section 8 and asked if other medical professionals - e.g. a nurse practitioner - would be able to fill this requirement.

[1:40:03 PM](#)

SENATOR KAUFMAN replied that due to the technical nature of this question, he would defer to Mr. Collins.

[1:41:05 PM](#)

CHARLES COLLINS, Director, Division of Workers' Compensation, Department of Labor and Workforce Development (DOLWD), Juneau, Alaska, testified by invitation on SB 147. He explained that the Alaska Worker's Compensation Board has been seeking changes for many years due to shortfalls in the process that hold injured workers back from returning to work. He said that the board is updated often because workers' compensation impacts many people. He acknowledged that some work in the state is inherently dangerous, and injured employees may be out of work for an extended period. He explained that that, under current statute, if an injured worker is out of work for 90 days, they must/shall have an evaluation done by a private rehabilitation specialist.

[1:42:56 PM](#)

MR. COLLINS reviewed slide 2 (6), depicting a bar graph detailing the following data for 2019-2022: evaluation referrals; injured workers found eligible; injured workers electing job dislocation; injured workers electing plan; plans approved; and plans completed. He pointed out that in 2022, 498 individuals received evaluation referrals and of these, only 67 were found eligible. He explained that sometimes, the worker is already back at work and still needs to submit to evaluation - which is an average cost of \$3 thousand for employers. At other times, the employee is still going through the medical process and the evaluation is not timely - these employees must still submit to evaluation. He stated that the intention is to change the statute so that the evaluation is timely by allowing the Reemployment Benefits Administrator (RBA) to communicate with the employee and their physician and make this determination. He clarified that "timely" could mean an employee is ready for evaluation anywhere from 60 days to 120 days.

[1:46:04 PM](#)

MR. COLLINS referred to the graph and explained that some employees dislocate and therefore do not complete a program. He noted that very few employees do complete their approved plan. He said that one reason for this is that plans are limited to \$13,300 and he emphasized that this is not much money when considering the cost to train in a new field. He said that this amount has not been changed for 24 years and SB 147 adjusts this amount.

[1:47:41 PM](#)

MR. COLLINS reviewed slide 3 (10), depicting reemployment totals from 2020, 2021, and 2022. He brought attention to the evaluation costs and reiterated that avoiding untimely evaluations will save employers money. He acknowledged that there is an increase in retraining costs. However, the outcome for the state is that these employees are returned to the workforce. He referred to an unnamed study from the Northeast that stated that an employee who is out of work for one year has an 11 percent chance of ever returning to the workforce. He surmised that many on the committee have dealt with employees and commented that having gaps in employment lowers employee marketability.

[1:49:21 PM](#)

MR. COLLINS reviewed slide 4 (11):

[Original punctuation provided.]

Reemployment Benefits in Settlements

Impact of settlements on reemployment benefits in 2022

- 47 injured workers exited the reemployment benefits process through Compromise and Release agreements during the reemployment benefits process.
- 62 injured workers had funds designated for reemployment benefits included in settlements approved in 2022, increasing reemployment benefit costs.
 - 45 of these injured workers had never been determined eligible for reemployment benefits, many had never entered the reemployment process or had been found not eligible for reemployment benefits.

- 22 injured workers exited the reemployment process through a settlement after a determination of eligibility, significantly reducing the number of injured workers available for plan completion.

[1:50:42 PM](#)

MR. COLLINS reviewed slide 5 (12):

[Original punctuation provided.]

Rehabilitation Specialists

- 15 Alaska Rehabilitation Specialists accepted 372 referrals for eligibility evaluations; 126 evaluations were referred to 43 specialists out of state.
- 1 Alaska specialist retired
- For Alaska Based Specialists:
 - 306 or 82 percent of the first reports were submitted within 60 days of the referral.
 - 141 or 38 percent of the evaluations were completed on the first report submission.
 - 223 or 60 percent of the evaluations were completed prior to a suspension letter from a Reemployment Benefits Administrator Designee.
 - 159 reports did not meet statutory/regulatory requirements.
- Continued improvements in our process are being made to ensure work is in compliance with statutory and regulatory requirements through suspension letters, discussions, plans of correction and disqualification from providing services under AS 23.30.041.

[1:52:02 PM](#)

MR. COLLINS answered Senator Dunbar's question regarding medical practitioners. He said that while he believes that other medical practitioners would be able to make this determination, he is not qualified to say with certainty. He offered his understanding that the statute in question only applies to State of Alaska employees. He referred additional questions to the Risk Management department.

[1:52:31 PM](#)

SENATOR DUNBAR noted that currently, a benefits administrator or director of vocational rehabilitation could seek out a medical opinion from any number of medical providers. He pointed out that SB 147 removes this and specifies that a physician must provide this information. He questioned the reasoning behind this and inquired as to the necessity of Section 8.

[1:53:03 PM](#)

MR. COLLINS answered that he is not qualified to answer this question.

[1:53:28 PM](#)

SENATOR DUNBAR asked if anyone else would be able to answer this question.

[1:53:37 PM](#)

CHAIR BJORKMAN invited Stacy Niwa to answer.

[1:53:53 PM](#)

STACY NIWA, Reemployment Benefits Administrator, Division of Workers' Compensation, Department of Labor and Workforce Development (DOLWD), Anchorage, Alaska, answered that this section of statute deals directly with state of Alaska employees and is through Risk Management. She said that currently, the determination can be made by herself or the Director of the Division of Vocational Rehabilitation. Both positions have experience with disability and its impacts (and potential impacts) on employment. She surmised that the change proposed by SB 147 would need to be vetted by Risk Management.

[1:55:13 PM](#)

SENATOR DUNBAR asked where section 8 originated and commented that sometimes language that is too specific can be problematic. He questioned why "physician" wasn't added to the current language rather than replacing it and pointed out that this would increase the number of people who could potentially sign off on something, rather than decreasing it. He questioned whether the intention was to expand the field of individuals who can make this determination or if there is some reason to narrow it to physicians specifically.

[1:56:07 PM](#)

SENATOR KAUFMAN replied that his office would look at Section 8 to ensure that this language is on track with the goal of SB 147. He added that amendments would be made if needed.

[1:56:38 PM](#)

SENATOR GRAY-JACKSON opined that the language in Section 8 makes sense, because injured employees need to see a doctor before they can return to work. Therefore, it makes sense for a physician to be the one to make the final determination.

[1:57:20 PM](#)

SENATOR KAUFMAN expressed appreciation for Senator Gray-Jackson's comments and pointed out that from the State of Alaska's perspective, it is risk management - but from the employee's perspective, it is a health matter and an employment matter. He surmised that the language in Section 8 was chosen in an attempt to be careful with how the evaluations are performed.

[1:58:10 PM](#)

CHAIR BJORKMAN asked if increasing the timeline from 90 days to 120 days is enough.

[1:58:28 PM](#)

MS. NIWA replied yes. She explained that currently, 90 days is often sufficient. She said that an additional 30 days gives more room to ensure that the correct decisions are made on behalf of both employee and employer. She suggested that more than 120 days would go against the intent of the statute to ensure "fast, fair, and efficient delivery of benefits." She reiterated that 120 days makes sense.

[1:59:34 PM](#)

SENATOR GRAY-JACKSON expressed appreciation for SB 147 and for the work done by the Division of Worker's Compensation.

[2:00:08 PM](#)

CHAIR BJORKMAN opened public testimony on SB 147; finding none, he held public testimony open and held SB 147 in committee.

[2:00:42 PM](#)

At ease

SB 206-WORKERS' COMP. STAY-AT-WORK PROGRAM

[2:02:46 PM](#)

CHAIR BJORKMAN reconvened the meeting and announced the consideration of SENATE BILL NO. 206 "An Act relating to workers' compensation reemployment benefits; establishing a workers' compensation stay-at-work program; and providing for an effective date."

[2:03:11 PM](#)

SENATOR ELVI GRAY-JACKSON, District G, Alaska State Legislature, Juneau, Alaska, sponsor of SB 206, introduced SB 206. She said she learned about stay-at-work/return-to-work (SAW/RTW) initiatives while attending a forum sponsored by the Council of State Governments and the United States Department of Labor State Exchange on Employment and Disabilities (SEED). She explained that SEED and its partners help states develop and implement inclusive workforce development policies. She detailed the forum's myriad learning opportunities and meaningful interactions related to SAW/RTW programs. She said that the final forum project was to draft SAW/RTW legislation, and the result was SB 206. She then read the following sponsor statement:

[Original punctuation provided.]

Sponsor Statement for SB 206

Each year, countless workers face the challenges of injuries, illnesses, or changes in their disability status, often leading to significant time away from work. This not only affects their livelihoods but also impacts the workforce and economy at large. Senate Bill 206 seeks to restore Alaska's once strong and healthy workforce. Through the creation of this program, an injured worker may elect assistance to return-to-work with their employer at the time of injury. The Program is optional and can be declined by a worker or an employer.

These programs focus on strategies that retain or reengage workers experiencing such changes, aiming to swiftly reintegrate them into the workforce. By providing necessary support and resources, SAW/RTW programs ensure that workers can continue their careers despite new health challenges, thereby maintaining a robust and resilient workforce.

The goal of the program is to return the worker to the same position with the same employer or to a modified position with the same employer after an injury or an occupational disease occurs. Furthermore, services provided as part of the assistance program are provided in lieu of reemployment services. Changes under this bill would be optimized by the ability of the insurer, rehabilitation specialist, and the Department of Labor and Workforce Development to

provide one another necessary information. The services offered as part of the Program are available as a service apart from a determination regarding indemnity benefits.

[2:07:12 PM](#)

SENATOR GRAY-JACKSON continued reading the sponsor statement:

[Original punctuation provided.]

Across the United States, states like Oregon and Montana, have made significant strides in implementing SAW/RTW initiatives. These programs have demonstrated success in reducing the time employees spend away from work due to disabilities or injuries, offering financial incentives, and facilitating necessary workplace adjustments. The adoption of similar legislation in Alaska promises substantial benefits. It can enhance our state's workforce stability, reduce the economic impact of prolonged employee absence, and promote a more inclusive and supportive work environment. By passing this legislation, Alaska can join other states in leading the way towards a more adaptable and supportive workforce, ultimately benefiting both our economy and the wellbeing of Alaskan workers.

[2:08:16 PM](#)

LUMA DIAZ, Staff, Senator Elvi Gray-Jackson, Alaska State Legislature, Juneau, Alaska, read the sectional analysis for SB 206:

[Original punctuation provided.]

Sectional Analysis for SB 206

Section 1: Amends AS 23.30.005 (h) by adding a reference to new stay at work program under AS 23.30.043.

Section 2: Amends existing statute, AS 23.30.041 (b) by moving the annual reporting of reemployment benefits from May until October to match the other annual reports due. Includes each specific reporting criteria.

Section 3: Makes changes to AS 23.30.041 (c) adding thirty days to the time of required reemployment evaluations to allow for the medical stability of claimants. The amendment requires the Workers' Compensation Division to notify injured employees of rights under this section within 25 days of inability to return to the employee's employment at the time of injury, including the option of participation in the Stay At Work Program.

[2:09:24 PM](#)

MS. DIAZ continued with the sectional analysis:

[Original punctuation provided.]

Section 4: Amends AS 23.30.041 (f) by adding that an employee is not eligible for reemployment benefits if a selection under AS 23.30.041(c) is not made. Or if an employee has completed a stay at work program previously or has been found noncooperative in the stay at work process under AS 23.30.043(l).

Section 5: A new section (Sec. 23.30.043) is added to establish a stay at work benefits program. A new position is added as a subject matter expert to oversee the program. A rehabilitation specialist is assigned to develop a stay at work plan requiring participation and approval from the employee, employer, and attending physician and a timeline for submission of plan. Costs are the responsibility of the employer and shall not exceed \$3,000. The maximum time frame is two years. Noncooperation is defined. Participation is voluntary. The employee may pursue reemployment benefits under AS 23.30.041 as an alternative if the employer chooses not to participate. An appeal process is outlined.

Section 6: Amends existing statute AS 23.30.100 (a) by adjusting the timeframe by 15 days for notification of a work-related injury or death.

Section 7: Amends AS 23.30.105 (a) by adding a reference to a new stay at work program established under AS 23.30.043

Section 8: Sets an effective date.

[2:11:51 PM](#)

CHARLES COLLINS, Director, Division of Workers' Compensation, Department of Labor and Workforce Development (DOLWD), testified by invitation on SB 206. He explained that currently, workers' compensation has a rehabilitation process that provides for benefits when a worker is injured. He said workers' compensation provides medical benefits for injured workers as needed; however, there are times when employees just need a little incentive to get back to work. Sometimes, this means returning to a modified job - which employers worry will cost them money. He stated that the average cost of a modified job is a few hundred dollars. He pointed out that technological advances have made it easier to make the necessary modifications. He explained that the goal with the SAW/RTW program is to shorten the time it takes for people to return to work. He surmised that, for many people, their job is a large part of their identity and keeping them in the workforce is a win for the employee, employee, and for society. He explained that the current process of returning to work after injury takes 205 days; the SAW/RTW program would cut this to 49 days.

[2:15:36 PM](#)

MR. COLLINS said that currently, the biggest problem is communication. He shared an example of what happens when an employee is injured and communication between employer and employee breaks down over time. He noted that the employee will also hear from the insurance adjuster; however, they are primarily on their own. He explained that SB 206 would enable the department to step in - about 20 days after the injury - and be the primary communication hub for the employee, communicating with their doctor, employer, etc. This would allow the department to work with the employee to determine when they can return to work - and what they are able to do once they return. He said that SB 206 creates a voluntary process that employers and employees can take advantage of. He noted that the cost to the employer is minimal. He stated that this would not replace the current rehabilitation program, because there will still be employees who are not able to return to work due to the severity of their injuries and/or the type of job they have (and potential modifications). He suggested that even helping a small number of people return to work more quickly would be of great value to all.

[2:20:53 PM](#)

CHAIR BJORKMAN opened public testimony on SB 206; finding none, he held public testimony open.

[2:21:25 PM](#)

CHAIR BJORKMAN commented that the forum meetings that he attended with Senator Gray-Jackson, Director Collins, among others, were highly valuable. He shared his belief that passage of SB 206 would result in many Alaskans returning to work sooner - or staying on the job after being injured (with modifications). He said that this might seem like a non-issue to those who have not been injured on the job and missed work as a result; however, he said it was clear from the forum meetings that Alaska needs to make changes to improve in this area. He opined that SB 206 would enable the state to do better.

[2:22:54 PM](#)

CHAIR BJORKMAN held SB 206 in committee.

[2:23:00 PM](#)

At ease

SB 135-AK WORK & SAVE PROGRAM; RETIRE. SAVINGS BD

[2:24:47 PM](#)

Chair Bjorkman reconvened the meeting and announced the consideration of SENATE BILL NO. 135 "An Act establishing the Alaska Work and Save Program; establishing the Alaska Retirement Savings Board; and providing for an effective date."

[2:25:11 PM](#)

SENATOR BILL WIELECHOWSKI, District K, Alaska State Legislature, Juneau, Alaska, spoke as the sponsor of SB 135. He said that SB 135 seeks to address the retirement crisis. He explained that a large percentage of people have no retirement savings and others who are at retirement age do not have enough retirement savings. He noted that recruitment and retention are issues. He said SB 135 is aimed at small businesses with fewer than 500 employees, which make up 99 percent of Alaskan businesses. He pointed out that more than 52 percent of Alaskans work for small businesses and 64 percent of small businesses do not offer a retirement plan. He said that 16 states have passed similar legislation.

SENATOR WIELECHOWSKI shared his belief that many small businesses would like to offer retirement plans to their employees; however, the process is complex. He explained that other states have addressed this by creating a retirement savings board and having small businesses administer a savings program. He opined that this removes the roadblocks for small businesses and sets up a state board to administer the process.

He said that, while some states do things differently, the programs have been effective.

[2:27:56 PM](#)

HUNTER LOTTSFELDT, Staff, Senator Bill Wielechowski, Alaska State Legislature, Juneau, Alaska, gave a presentation on SB 135. He reviewed slide 2:

[Original punctuation provided.]

What is Alaska Work & Save

- Establishes an auto-IRA program for all Alaskan employees who qualify.
- Establishes a state board to administrate the program.
- Creates an option to allow PFD checks to go toward retirement.

[2:28:59 PM](#)

MR. LOTTSFELDT reviewed slide 3:

[Original punctuation provided.]

Retirement in Alaska

- 54 percent of households have no retirement savings (4)
- Alaskans aged 60+ account for 20 percent of the population and growing (3)
- Median retirement savings for ages 65-74 is \$200,000, age 75+ is \$130,000 (5)

[2:29:30 PM](#)

MR. LOTTSFELDT reviewed slide 4:

[Original punctuation provided.]

Survey of Alaska Small Businesses

A recent survey of small businesses in Alaska shows:

- 64 percent don't offer retirement of any kind, with cost being the biggest factor

- 70 percent support an Alaskan retirement savings option

[2:29:47 PM](#)

MR. LOTTSELDT REVIEWED slide 5:

[Original punctuation provided.]

What would SB 135 do?

SB 135 would create a board

- This board would be responsible for establishing and running the program
- The board would work to create the appropriate rules and investments to offer employees
- The board has the discretion to partner with other states to lower costs even more for participants

Program Participants

- Would be enrolled automatically upon hiring
- Can decide to opt-out or adjust rate
- May contribute PFD towards their retirement

[2:30:46 PM](#)

MR. LOTTSELDT reviewed slide 6:

[Original punctuation provided.]

Current Costs for a 401k Plan

A survey of 121 plans with less than \$2 million in assets(2) found that:

- provider fees could vary from \$4,800 to \$17,000 per year (this figure does not include investment fees)

[2:31:25 PM](#)

MR. LOTTSELDT reviewed slide 7:

[Original punctuation provided.]

Setting up a retirement plan presently

- Adopt a written plan

- Create and distribute the rules for 401k plan to all participants
- Arrange a trust fund for the plan's assets
- Acting as a fiduciary, a designated trustee will handle contributions, investments, and distributions
- Develop a recordkeeping system
- Records of the plan must be kept, and an annual report and tax documents must be prepared
- Provide plan information to participants
- Employer must provide a plan summary to existing and new participants, along with updates

[2:33:06 PM](#)

MR. LOTTSELDT reviewed slide 8:

[Original punctuation provided.]

SB 135 Supports Small Businesses

- 11th year of out-migration of working aged Alaskans (1)
- Work and Save eliminates the high costs and bureaucracy for businesses
- Allows small businesses to:
 - Better recruit and retain employees
 - Stay competitive with larger businesses

[2:33:43 PM](#)

MR. LOTTSELDT reviewed slide 9:

[Original punctuation provided.]

Other States have already started

- As of this year, 16 other states have enacted their own auto-IRA programs
- Similar federal legislation has recently been proposed
- Interstate partnerships allow for faster enactment and possibly lower fees

[2:34:30 PM](#)

SENATOR GRAY-JACKSON asked if SB 135 creates a program for small businesses that is similar to a deferred compensation program.

[2:34:56 PM](#)

SENATOR WIELECHOWSKI answered that the program created would only apply to businesses that do not currently offer retirement plans. He acknowledged that SB 135 would create a mandate; however, the state is providing the infrastructure, fiduciary responsibilities, and paying the costs. The employer simply gives employees a form to fill out that enrolls them in the program. He explained that a percentage would be deducted from the employee's paycheck - there is no employer contribution. He emphasized that this program would not cost the employer. He said there are a variety of ways the program could be set up, including a 401k, taxable or non-taxable - and added that this would be determined by the board. He explained that employees can opt out at any time - or can contribute more to their savings fund. He said that SB 135 makes it easier for employers to set up and offer retirement savings plans.

[2:36:49 PM](#)

SENATOR GRAY-JACKSON expressed gratitude and said that she is now clear on what SB 135 would do.

[2:37:02 PM](#)

SENATOR DUNBAR asked for clarification on whether this would only apply to small businesses. With respect to multi-state pooling efforts, he asked if Alaska could join another state without passing SB 135. He shared his understanding that the board would decide if Alaska would join with another state and asked if this is correct.

[2:37:55 PM](#)

SENATOR WIELECHOWSKI replied that while small businesses tend to be the ones that do not offer retirement savings funds, HB 135 applies to all employers in the state. He pointed out that any employer can set up a retirement plan for employees; however, coordinating with other states to lower the associated fees would require passage of legislation to create the necessary structure.

[2:39:15 PM](#)

MR. LOTTSFELDT added that the interstate partnership would still require a state board; however, the partnership would speed up the implementation process. He said that programs in Maine and Delaware took a year to get up and running and surmised that joining Colorado and sharing resources would ease the burden on the State of Alaska.

[2:40:04 PM](#)

CHAIR BJORKMAN opened invited testimony on SB 135.

[2:40:17 PM](#)

JENNIFER SAUER, Senior Research Advisor, Financial Resilience Research, American Association of Retired Persons (AARP), Washington, D.C., gave a presentation on SB 135 titled "Saving for Retirement at Work: A Survey of Alaska Small Business Owners." She reviewed slide 2, which showed a demographic profile of small business owners surveyed. She explained that the survey was conducted via phone, with the option of completing the survey online. She said the survey's margin of error was 4.85 percent.

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MS. SAUER reviewed slide 4 and said that over half of Alaska small businesses are very concerned or somewhat concerned that their employees will not have enough money to cover expenses through retirement. She said that one in four respondents said they were "very concerned" and one in four said they were "not at all concerned."

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MS. SAUER reviewed slide 5 and explained that 3 out of 4 small business owners are concerned that employees may turn to state funded assistance programs if they are not able to save enough for retirement. She noted that 4 in 10 say they are "very concerned."

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MS. SAUER reviewed slide 6 and said that 75 percent of small business owners believe more should be done to help Alaskans save for retirement. 50 percent of respondents said "a lot more needs to be done."

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MS. SAUER reviewed slides 8 and 9, showing the importance of workplace retirement savings plans to small business owners in Alaska. She explained that the survey showed that 1 in 3 small businesses offer a retirement savings plan. She said that when asked why they offer a retirement savings plan to employees, the top reasons were attracting and retaining quality employees and the belief that it is the right thing to do.

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MS. SAUER reviewed slide 10 and explained nearly two-thirds of Alaska small business owners do not offer a retirement savings

plan. 71 percent of these businesses said it is "too costly" followed by "too complicated" (38 percent) and "too time consuming" (29 percent).

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MS. SAUER reviewed slide 11 and explained that, while the majority of survey respondents do not offer retirement plans, 78 percent of respondents did agree that offering a retirement plan helps business hire and retain quality employees and remain competitive.

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MS. SAUER reviewed slides 12-14. She explained that 70 percent of business owners support a public-private partnership to develop an easy, no-cost retirement savings program for small businesses. She said that, after learning the details of this option - such as no employer fees, no employer match, and no employer fiduciary responsibility - support increased to 79 percent.

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MS. SAUER reviewed slide 15 and stated that the research shows a strong interest among small business owners for state legislators to act. She noted that nearly 8 in 10 business owners agree that Alaska legislators should support a bill to make it easier for small business owners to access a retirement savings option for their employees.

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HUNTER RAILEY, Director, Colorado Secure Savings Program, Colorado Department of the Treasury, Denver, Colorado, testified by invitation on SB 135. He highlighted some of the benefits of state auto IRA programs similar to what is proposed by SB 135. He explained that, as director of the Colorado Secure Savings Program, his job is to ensure that Colorado employees achieve a dignified and sustainable retirement. He noted that it is difficult for employees to access retirement plans at work - and retirement plans lead to better employee retention. He explained that in Colorado, nearly 1 million employees lacked access to workplace retirement. He said that retirement plans like the Secure Savings Program make it possible for small businesses to offer retirement benefits, thereby making them more competitive against other, larger businesses. In addition, retirement benefits improve employee wellbeing. He stated that prior to passing the secure savings program, a study was conducted to determine the impact of the retirement savings gap. He explained that the study showed that doing nothing to address the gap

would cost taxpayers an estimated \$18 billion over the next 15 years. He noted that federal studies have estimated the cost to be \$1.3 trillion. He stated that the biggest barriers to offering retirement savings programs are cost and administrative complexities and the Colorado program was designed to meet these needs. He explained that the onboarding process for employers takes around 15 minutes and the ongoing admin requirements are around five minutes per month. He added that there is no cost for this program. He opined that this design allows the program to be an asset rather than a burden for employers.

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MR. RAILEY stated that nationally, employees in these retirement savings programs have accumulated close to \$1.5 billion in assets in six states. In Colorado, more than 14 thousand employers have helped their employees save nearly \$40 million on the first year of operation. He highlighted the ways that savings programs support private actors in this market. In addition, Colorado has created access to a multi-state partnership model - making the program more accessible to states with smaller populations, reducing expenses and shortening the timeline for implementation. He noted that Colorado is currently the only state offering a multi-state partnership. He emphasized that this program model prioritizes collaboration in the economy of partner states to meet saver needs.

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CHAIR BJORKMAN noted that the Department of Revenue (DOR) has delivered indeterminant fiscal note for SB 135 and asked if joining a system of other states would impact the fiscal note from DOR.

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PAM LEARY, Director, Treasury Division, Department of Revenue (DOR), Juneau, Alaska, replied yes. She explained that it was difficult to identify what the costs might be for a program of this kind. She said she is familiar with several different types of programs and listed these. She detailed several ways programs have deferred costs. She commented that these programs give an idea of the ways a retirement savings program could be implemented - and what the associated costs would be. She stated that the actual cost would depend on how the program was structured and implemented.

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CHAIR BJORKMAN asked if DOR could provide an estimated cost for a program like the one in Colorado.

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MS. LEARY replied that she would reach out to Colorado and provide the committee with this information.

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CHAIR BJORKMAN concluded invited testimony and opened public testimony on SB 135.

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LOUIS THEISS, representing self, Girdwood, Alaska, testified in support of SB 135. He said he has been retired for 11 years and has decades of liquidity ahead of him thanks to automatic payroll deductions, social security, a pension, and a 401k. He noted that during his career, he had two employers. However, times have changed and some of these options are no longer available. He said that his son works in tourism and has multiple W-2s each year. In the decade that he has been working, no one has offered him retirement savings. He shared his belief that Work and Save would be perfect for his son. He acknowledged that there is concern about making this mandatory; however, he shared his understanding that for those who have multiple employers, the mandate is necessary. He opined that Work and Save has the most important elements for successful retirement savings: portability and payroll deduction. He stated that most retirement advice emphasizes the importance of regular savings and shared his belief that SB 135 achieves this.

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SENATOR MERRICK joined the meeting.

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MARGE STONEKING, American Association of Retired Persons (AARP), Anchorage, Alaska, testified in support of SB 135. She said she is the Director of Advocacy for AARP Alaska. She explained the purpose of AARP and noted that retirement readiness is a big part of being able to choose how retirement years are spent. However, she stated that nearly 60 percent of American households have no assets saved for retirement. She said that protecting social security is a critical piece of the puzzle; however, it does not ensure retirement readiness on its own. She explained that people are 15 times more likely to save for retirement if they are offered a plan through their employer and 20 times more likely to save if they are automatically enrolled. She said that many Alaskan workers do not have access to retirement savings plans through their employer. She noted that small businesses are less likely to offer these plans due to the

hurdles. She said that SB 135 could change the landscape of retirement readiness in Alaska by giving businesses an easy, no-cost retirement option for employees. She briefly detailed the way the program would be run and emphasized how simple it would be for employers. She pointed out that these savings programs would follow employees when they change jobs and are optional. She said that a work and save program would help small businesses compete with larger employers' benefits packages while allowing employees to become financially self-sufficient in retirement.

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CHAIR BJORKMAN noted that Senator Merrick joined the meeting at 2:55 pm.

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CHAIR BJORKMAN asked for clarification that all W-2 employees would be eligible for the retirement plan - and this is part of the mandate - but they would receive a form to opt out if they choose to.

SENATOR WIELECHOWSKI replied yes.

CHAIR BJORKMAN noted that there are several options for implementation and asked if one is more preferable.

SENATOR WIELECHOWSKI replied that he would like to see it be low to no cost for the State. He explained that, ideally, the State would evaluate the costs of running the plan and charge a fee to cover the cost. He shared his understanding that these fees vary by state. He said that if the program is run in partnership with another state, these costs will be lowered. He opined that working in partnership with another state would be the most beneficial.

CHAIR BJORKMAN asked if Alaska would need its own board if the program was run in partnership with another state.

SENATOR WIELECHOWSKI answered that, while the details could be set by the legislature, having a board would allow these details to be worked out by professionals. He commented that he would like to keep the program as small and low-cost to government as possible.

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CHAIR BJORKMAN held SB 135 in committee.

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There being no further business to come before the committee, Chair Bjorkman adjourned the Senate Labor and Commerce Standing Committee meeting at 3:02 p.m.