

HOUSE FINANCE COMMITTEE  
February 10, 2025  
1:39 p.m.

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CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:39 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair  
Representative Andy Josephson, Co-Chair  
Representative Jamie Allard  
Representative Jeremy Bynum  
Representative Alyse Galvin  
Representative Sara Hannan  
Representative Nellie Unangiq Jimmie  
Representative DeLena Johnson  
Representative Will Stapp  
Representative Frank Tomaszewski

MEMBERS ABSENT

Representative Calvin Schrage, Co-Chair.

ALSO PRESENT

Representative Chuck Kopp; Representative Louise Stutes;  
Representative Mia Costello.

SUMMARY

HB 78 RETIREMENT SYSTEMS; DEFINED BENEFIT OPT.

HB 78 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the meeting agenda. He noted that Representative Chuck Kopp had extensive knowledge on the subject and would be assisting with the bill.

#hb78

HOUSE BILL NO. 78

"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."

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Co-Chair Foster asked to hear from Representative Kopp and his staff.

REPRESENTATIVE CHUCK KOPP, introduced himself. He was happy to be having the conversation about the bill. He remarked that the state had experienced a number of sober things such as loss of life in various communities and things that were shocking and deeply sad. However, the ties that bind Alaska were substantial and residents all shared in the risk together. He remarked it was a dangerous state to live in, residents traveling on roads that were sketchy at times and air travel was full of risk. He highlighted it was the state's workforce and various entities that made Alaska work and helped to get through tragedy. He was excited to talk about a new retirement plan going forward. He clarified that the proposed plan was very different from the old pension system. He stated it would be like comparing a rotten apple on an old tree to a robust pear on a living tree. He informed the committee that the proposed retirement plan was based on the best practices of other states that were well funded, with the risks being shared broadly between employees, employers, and retirees.

Representative Kopp introduced a PowerPoint presentation titled "Strengthening Alaska's Public Workforce: House Bill 78 A Shared-Risk Retirement plan," dated February 10, 2025 (copy on file). He began on slide 2 and discussed that Governor Dunleavy's FY 26 budget highlighted the ongoing critical struggle of recruitment and retention in most of the state's public service agencies. He stressed the constant theme across departments of high turnover and vacancies, loss of institutional knowledge, loss of training dollars, and the inability to effectively deliver services. He explained that departments were in a perpetual training mode without peer-to-peer mentoring due to poor employee retention. The slide showed work performed by

various departments including public safety agencies, the Alaska Marine Highway System (AMHS), and the Department of Transportation and Public Facilities (DOT). The state's infrastructure was aging, and the state was not keeping up with maintaining its maintenance stations. He elaborated that DOT was so understaffed on the haul road that some maintenance stations were unmanned. The slide also reflected the Department of Education and Early Development and service industry that permitted jobs and helped to grow the economy. He referenced a recent Alaska Mining Conference briefing for legislators where miners had communicated their number one concern was necessary staff at the Department of Natural Resources (DNR) to permit jobs; it was not possible to grow the mining industry if there were not enough staff to provide permits.

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Co-Chair Josephson acknowledged Representative Louise Stutes in the room.

Representative Kopp moved to slide 3 titled "How Did We Get Here?" He highlighted the importance of having a workforce to fulfill needs for public safety, fast police and trooper response, strong schools, and well-maintained roads. He remarked that there was agreement the state could do better. He agreed with the sentiment that the state eventually found a way to do so. Prior to 2002, the defined benefit (DB) system was well funded, there was no state income tax or sales tax, and the state's public workforce had been doing okay. However, between 2002 and 2004, Mercer, the state's actuary at the time, had provided the state with erroneous advice. He remarked that to say that it compromised the DB system would be an understatement. He elaborated that Mercer had told the state not to make any employer contributions into the system during the specific time period. He noted that the employer contributions were \$250 million or more per year. He stated that it had been welcome advice to local governments; however, two successive years of failing to put in \$250 million meant a total of \$500 million. He believed the situation had occurred for two to three consecutive years. He stressed that \$500 million in 24 years at 7.91 percent interest was \$3.1 billion. He noted the 40-year average in Public Employees' Retirement System (PERS) was over 8 percent. He added that Mercer had continued to conceal its error once it had been discovered. He stressed that the situation had

cost the state and it had struggled mightily to dig out of the hole. He relayed that the state had sued Mercer and had recovered a pitiful amount. The state had won the suit, but it had lost a strong retirement system. The state was now tasked with finding a good, responsible way to be competitive in the workplace.

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Representative Stapp asked if the situation with Mercer was the first time the Alaska Retirement Management Board (ARMB) had directed municipalities to stop or reduce their contributions to the DB plans. Alternatively, he asked if it happened previously throughout the 1990s or prior to that.

Representative Kopp replied that he had been a police officer in the 1990s and was not familiar with the actuarial advice provided to state government during that time. He relayed that to his knowledge, [the early 2000s] was the only time the actuary told the state it did not need to make contributions.

Representative Stapp asked if the actuarial error made by Mercer was on the healthcare or pension liability side of the system.

Representative Kopp responded that Mercer had made incorrect assumptions about how long different employee groups worked before quitting. Additionally, healthcare values had been misjudged. He relayed that the errors involved about four or five things. After the first year Mercer told the state it did not have to contribute, Mercer had discovered the error internally. However, the State of Alaska only found it out through legal discovery during the lawsuit. The actuary had decided not to tell the state about the error and had told the state again to not make any contributions in the second year. The alarm bells had gone off in the third year and the state had been told it had to contribute.

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Representative Stapp thought Representative Kopp had stated that the errors resulted in the state losing around \$3.1 billion. He asked for verification that the state would

have expected that level of return on the fund if it had made the contributions.

Representative Kopp answered it was based on the simple calculation for future value of money, which was standard actuarial practice. He stated that \$500 million at 7.91 percent interest over 22 to 24 years was \$3.1 billion. He remarked that the legislature would likely not be having the conversation in the present day if the state had not been lied to and had to go into litigation. He relayed that it had really set the state back and the legislature had been caught "flat-footed." The legislature and state had done what they thought was the best thing at the time in order to get back on their feet.

Representative Bynum understood it would be a process and there would be many numbers to crunch in the committee. He referenced Representative Kopp's discussion of the calculation of the loss of \$3 billion. He highlighted that the current unfunded liability was over \$6 billion. He asked about the link between the \$3 billion and \$6 billion and where the responsibility of the additional \$3 billion resided.

Representative Kopp replied that unfunded liability was directly linked to performance of the pension funds during each fiscal year. He recalled that in 2002, market returns were so good that Governor Dunleavy had highlighted in his state of the state address that the state's pension liability gap was nearly closed and there was enough money to redirect funds towards critical services like public safety and education without imposing taxes. He elaborated that a good year of market returns caused the unfunded liability to close significantly, while a poor market year caused the liability to grow. He referenced the \$6 billion and noted the amount could be dynamic depending on market returns. He stated that it represented half [of the figure]; it was a significant error the state was catching up from because of the time value of money.

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Representative Bynum assumed the committee would have a more robust conversation about how to prevent additional liabilities to the state and employees and specifically addressing the gap of \$3 billion.

Representative Kopp responded that Mercer had been the state's only actuary at the time [the problem occurred]. One of the things the state had done to ensure the situation never happened again was to require ARMB to have its own independent actuary to check the contract actuary. Additionally, there was a third actuary checking both of the others. The state had reacted well in the situation to ensure a single actuary could never put the state in a hole again.

Representative Kopp turned to a bar chart on slide 4 titled "DB System Funded Ratio History." He was present to talk less about the old system and more about a new and different plan going forward. He stated the proposed plan would contain only a fraction of the risk of the old plan. The slide showed what had occurred when Mercer had told the state it did not have to make any contributions to the DB system from 2002 to 2004. He pointed out that when the error was discovered, the system was underfunded. Additionally, there had been a hit to the stock market and healthcare costs skyrocketed. He noted that the valuation assets reflected in the graph included the health trust fund and pension trust fund combined. He relayed that serious progress had been made and the funded ratio had increased from [its low point of] 61 percent to 86 percent for PERS. He lauded the Department of Revenue (DOR) for its 9.1 percent returns in the past year, which beat the benchmark and was significantly better than the 7.25 percent projected return. He remarked that the state had good asset managers and he was confident in the state's ability to manage its funds.

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Representative Stapp remarked that the funds were broken out in two separate trusts and seeing the data combined was a bit difficult. He referenced the substantial drop that occurred after the actuarial error. He remarked that the state had made over \$7 billion in additional contributions primarily to the pension fund. He noted that very little of the contributions had gone to the healthcare portion of the fund, which was actuarially overfunded. He wondered how the plan was still not funded if the actuarial error cost the state \$3 billion and an additional \$7 billion in contributions had been made.

Representative Kopp pointed to 2014 [on slide 4] where the legislature had made a \$3 billion cash infusion to the retirement system liability. He stated that the year-to-year market returns impacted how the fund was doing overall, more so than the cash infusion. He stated there could be a very high performing year that would move the funding value needle 4 to 6 points, while perhaps the following year a cash infusion of \$1 billion would only move the value up 1 point because of poor returns that year. He relayed it was more about how the market was performing and looking at long-term trends. Over 40 years, PERS returned 8.1 percent and in the past 10 years the return had been 7.91 percent.

Representative Stapp asked for verification that the state should take a long-term view of 30 to 40 years to avoid being subject to swings of a couple hundred basis points year-to-year.

Representative Kopp agreed. The actuaries took a 25-year view, which he believed was required by law.

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Representative Allard asked if it was possible to receive a breakdown of the healthcare and pension portion of the DB system information shown on slide 4. She requested seeing the information in committee in order for the public to see it as well.

Representative Kopp replied affirmatively. He noted that DOR and the Division of Retirement and Benefits had done a good job showing the information in the past several years. He relayed that the health trust and pension trust were separately funded. The health trusts were 150 percent funded and the pensions were 67 to 77 percent funded depending on whether it was PERS or TRS. The departments also showed the combined information.

Representative Allard believed breaking the information out would show the pension as underfunded. She requested to see it in committee.

Representative Kopp responded that every pension had a health trust and a pension trust. He explained that the reason for showing a combined ratio was because it was how debt rating agencies viewed the data to determine whether

Alaska was financially stable and what rating to give the state.

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Representative Kopp moved to slide 5 and provided a DOR Treasury investment result summary. The department had obtained a 9.1 percent overall return for calendar year 2024, exceeding benchmarks. He elaborated that the legacy DB plan performed in the top one-third of peer public pensions. The plan had earned \$2 billion in excess returns over the past ten years and nominal gains for 2024 were \$2.7 billion. He clarified that nominal gains did not include taxes, fees, and inflation proofing.

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Representative Kopp moved to slide 6 titled "Past Service Cost is Well Funded." He relayed that the state's debt service manager Fadil Limani had told the House Finance Committee the previous February that PERS was 86 percent funded and TRS was 92 percent funded. He relayed that debt service agencies looked at the numbers positively. Mr. Limani had told the committee the state's pension funds were well funded from the perspective of credit rating agencies.

Representative Bynum asked if debt rating agencies also looked at the fiscal health of the municipal governments participating in the plans. Alternatively, he asked if rating agencies only looked at the combined funded ratio of the retirement and healthcare portions of the pension system.

Representative Kopp replied that the state debt manager report addressed how credit rating agencies looked at the State of Alaska as a risk investment and not local government units. In other words, what kind of rating the agencies would give the state if it put out a general obligation bond as a state. There were other entities that looked at local government.

Representative Bynum stated that many of the liability issues in the past plan evolved around the municipal governments' ability to participate and pay for the plan. He explained that a lot of negotiations occurred, and some agreements had been reached with municipal governments and

what they would pay. He explained it was the reason he was asking whether rating agencies looked at the health of some of the major contributors and some of the issues the state had in the past with funding the program.

Representative Kopp replied that as far as he knew, rating agencies did not look at local government units. He elaborated that the agencies looked at actions the state was taking that limited volatility. He relayed that when the legislature passed the 5% percent of market value (POMV) from the Permanent Fund it had significantly increased the state's credit rating because it limited the state's spending on services and Permanent Fund Dividends (PFDs). He noted that DOR Commissioner Crum had reported in 2024 that from the perspective of the rating agencies it was the most fiscally stabilizing action the state had taken. He explained that a responsible retirement plan and spending plan were state actions that largely the legislature would be involved in.

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Representative Johnson shared that she had been the president of the Conference of Mayors and mayor of Palmer when the additional deposit had been made to PERS and TRS. She detailed that the state had told Palmer officials the city had to pay immediately, and Palmer had responded that it was the state that had told the city it did not have to pay the contribution. She relayed that Palmer was a reasonably well funded city with good management, but there was no way the city could come up with the money the state asked for. She had been part of the negotiations that resulted in the 22 percent contribution for municipal government. She highlighted it was a lot of money for small municipal governments. She did not know whether there would be discussion about changing the rate, but she wanted to hear from municipalities before getting too far along.

Representative Kopp replied that he had a background in local government as well and had been the acting city manager in Kenai when the 22 percent had been negotiated. He noted that Senate Bill 124 had put the 22 percent into law. He thanked Representative Johnson for her work on the issue. He elaborated that the 22 percent limited on the PERS side the amount that would be put into the various trusts that comprised the entire program. He stated it would cover the employer's contribution to the program and

other various benefits. Prior to the cap, the contribution for municipalities varied from year-to-year. He elaborated that PERS had been capped at 22 percent and TRS was capped at 12.56 percent. When the defined contribution (DC) plan was adopted in 2006, the cap was maintained for the new system.

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Representative Kopp turned to slide 7 titled "Recruitment and Retention Crisis is 'The Cost of Doing Nothing.'" He stated that failing to address recruitment and retention was part of the cost of doing nothing. He moved to slide 8 titled "Alaska Retirement Management Board." The slide included information from the ARMB report ending June 20, 2023. He detailed that for the 12-month period, the PERS and TRS withdrawals from the DC plan exceeded \$145 million. He elaborated that when including the Supplemental Annuity and the Deferred Compensation Plan for the DC plan the total withdrawals that year were nearly \$500 million. He relayed that 90 percent of the withdrawals came after five years of service or 100 percent vested. He explained that employees were cashing out and moving on once they could get their employer contributions and all of their employee contributions. The ARMB brought the issue to the legislature's attention and communicated that the state had created a system that pointed to a value of leaving at five years. There was no value for retaining employees beyond that timeframe.

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Representative Stapp was glad to see the information on slide 8. He asked what happened when an employee tried to cash out their DC plan prior to five years of service.

Representative Kopp replied that an employee would get their contributions. He elaborated that at two years of service an employee would receive 25 percent of the employer contribution, at three years they would receive 50 percent, at four years they would receive 80 percent, and at five years they received 100 percent.

Representative Stapp thought it said more about the period of vesting than it did about the retirement plan. He stated it was his third year in the legislature and he would need

to run for reelection to be able to receive the full funding.

Representative Kopp responded that extending an investment period (e.g., to seven or eight years) was a great policy question. He noted that the bill made an adjustment to the vesting period for TRS.

Representative Allard referenced overtime, retention, and recruitment. She provided an example of a police officer working with the Anchorage Police Department (APD) making \$170,000 per year due to overtime. She thought it would impact the rookies. She asked if an employee was considered a rookie for their first five years of employment.

Representative Kopp replied that generally until a person had been on the job two years, they required quite a bit of supervision.

Representative Allard remarked that the scenario she provided about the APD officer making \$170,000 was real. She thought it was reason for young officers to leave when they were not getting overtime because it all went to senior officers.

Representative Kopp answered that the scenario included an assumption that there was selective overtime versus forced overtime. In other words, some people were getting a choice [to accrue overtime] and making more and new people were being deprived.

Representative Allard agreed.

Representative Kopp was very familiar with APD. He stated there was a tremendous amount of overtime at APD because they were shorthanded. The normal shifts were rarely 4/10s; officers were called in all of the time because they were either training new people or officers had to cover normal patrol shifts when other officers were called out on the SWAT team. He continued that the vacancies currently varied between 60 and 70. He explained that currently there was more forced overtime versus people not being allowed to work overtime. He noted that the selection could become on a preferred detail. For example, a person could request overtime on a specific detail (e.g., parking detail) because it was less stressful.

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Representative Allard believed "it" was about 18 percent nationwide. She stated that Alaska was right in line with the rest of the country. She wondered where the proof was showing that an absence of a DB plan was the reason for recruitment and retention issues.

Representative Kopp answered that the state's actuary, Buck Consulting, and independent actuaries Gene Kalwarski and Flick Forna had evaluated the bill and were collectively responsible for more than 2,500 counties and units of government nationwide. The three actuaries all stated that invariably a pension filled positions and kept people throughout a career. He explained that it was the actuaries' job to be fiscally conservative and tell governments what would happen. The actuaries reported that a pension filled vacancies because it incentivized time and service. He elaborated that people would stay in a position because they were accruing 2.5 percent of their base salary for every year of service up until 20 or 25 years, whereas a DC plan gave an option to cash out at five years. He relayed that a senior police officer did not benefit any more than a new police officer; there was no time in service incentive for a highly trained officer under the DC plan. He stated that the retirement plan signaled to employees how much an employer valued them. He relayed that a time and service commitment signaled loyalty and employee buy-in, whereas a DC plan did not give any incentive to stay beyond a certain date, meaning a person could cash out and go.

Representative Allard clarified that the State of Alaska had a retirement plan in place, it was just not the specific one contemplated in HB 78. She stated that the DC plan enabled individuals to leave and cash out, whereas they would be locked in under the DB plan and unable to leave. She thought they would almost be handcuffed to the DB plan even if the situation was not working for a family. She did not think she had seen the true facts. She did not see anything in writing detailing the specifics Representative Kopp was referring to from the actuaries. She stated that "we're still looking at 18 percent across the country where the defined benefits doesn't stop people from moving around." She wanted to see statistics showing what Representative Kopp had stated.

Representative Kopp replied that those things reported from the actuary were in the fiscal notes. He added there would be new fiscal notes for the bill, but the actuaries would say the same thing. He relayed that members' bill packets contained a consulting fiscal note, where the actuary specified that the bill would fill positions, increase recruitment and retention, and increase payroll because people would be hired.

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Representative Allard stated that it was an opinion that she did not believe was based on fact. She wanted to see fact. She wanted to see exit surveys that said individuals left Alaska because they did not receive defined benefits, "not because the education system's horrible." She had not seen the proof anywhere.

Representative Kopp relayed that members' bill packets included the Alaska State Trooper 2017 through 2023 recruitment and retention survey. He noted it was a 15-page report and a DB retirement was identified by the survey as one of the top needs for the vacancy crisis. The troopers referred to the inability to fill positions as a crisis.

Co-Chair Foster asked Representative Kopp to flag the 15-page document for committee members to discuss during a subsequent meeting.

Representative Kopp responded affirmatively.

Representative Bynum looked at the issue from the perspective of an employer. He had been an employer and over the years when an employee left employment, he had conversations with them about what was driving them to leave. He stated there was no doubt that retirement was part of the conversation about why a person took employment or was leaving, but it was not the primary factor. In his experience, the biggest factor that drove employees away was the cost of living including being able to afford their home and ensuring their kids had a school to go to that was taken care of. Additionally, it had been about the remoteness of living in Alaska away from family in other places. He believed that it was important to have a robust discussion about how the proposed program would impact individuals' desire to stay in communities. Health

insurance was another important item to employees (being able to take care of their families when they retired). He stated that the health insurance component was more important to employees he had employed than what their paycheck would be in retirement. He stressed it was the most important thing to them. He added that many of the individuals continued to work beyond retirement because of the health insurance component. He asked if during the bill discussion there would be a robust conversation about the impacts of the proposed retirement program and the desires and needs for current and future employees.

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Representative Kopp answered that every job class was different. He surmised that Representative Bynum had probably been dealing with people in the utility industry. He stated that people were unique and job classes were unique in terms of primary motivating forces. For high public trust, complex learning jobs, the state did not benefit from high turnover. He believed a utility company did not benefit from high turnover either because of the skilled jobs. He asked Representative Bynum if the utility was public or private.

Representative Bynum shared that he had been a municipal utility employer and he had also been on a borough assembly for four years doing borough government. His experience was with borough government and a municipal utility, which was also tied to a municipal government.

Representative Kopp replied that Alaska was the only state that did not have a pension for public safety officers or teachers. There were a number of states that did not have a pension for other job classes, but they all had a pension for public safety and teachers because those job classes were extremely difficult to fill and retain. When complex learning was involved, peak productivity did not happen for teachers until later on. He stressed that 15 to 20-year teachers were phenomenal and had honed a highly productive skill. He noted that some school districts in Alaska had a 31 percent turnover rate. He remarked that some students had two teachers in one year and people wondered why test scores were sometimes not great. He stated that it took two years of real training in the police force before a police officer offered a real contribution to the police force. He relayed that by five years on the force an officer was

becoming very valuable. He remarked that it was a challenge when the five-year individuals were going to one of the other 49 states with a more competitive retirement program. He remarked that the committee would hear from testimony that it was the case. He stated that Alaska was so geographically isolated from the rest of the nation that its cost of relocation to Alaska was also a major factor. He explained that it had devolved into an arms race between the Anchorage, Juneau, Fairbanks, and Kenai police departments; the departments were all stealing officers from one another. They could not find Alaskans who wanted to do the job, it was difficult, and the civil liability, legal exposure, and risk to families was so great that troopers were hitting the ten-year mark and deciding to leave. He stated it was necessary to do things to move a strategic wage compensation package for job classes to incentivize staying. He did not mean to indicate that all employees were the same. He clarified it was necessary to consider what could be done to stop the churn. He reiterated that the state's geographic location and remoteness was part of the challenge.

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Representative Bynum referenced Representative Kopp's mention that turnover in any business (e.g., utilities, transportation, etcetera) was costly and it hurt the ability to deliver services. He wanted to be able to get to the bottom of how to keep a stable workforce. He believed cost of living was a primary factor as well as pension or retirement reform.

Representative Kopp thought it was an excellent question. He referenced the lost dollars in training. He highlighted that the Department of Corrections (DOC) reported a 6 percent non-retirement separation. He clarified that the number pertained to individuals leaving a job but not for retirement reasons. The figure for the Department of Public Safety (DPS) was closer to 4 percent. He noted that the report in members' packets showed that the cost of two years training for a trooper was close to \$500,000 and when a trooper left in their third year it was devastating. He relayed that the committee would hear from economists that the lost training dollars to the state eclipsed the cost of the bill. He noted that when the committee heard about costs of the bill it would hear from the actuaries.

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Co-Chair Foster noted that there were five invited testifiers. He recognized the complexity of the topic and noted the committee would take as much time and as many questions from members as needed.

Representative Stapp remarked that the fiscal note of the actuarial analysis from Buck or Cheiron was not on BASIS. He thought it was where some of the confusion resided because members had not seen those documents. He remarked that typically bills went through lower committees and the fiscal note information was available once a bill reached the finance committee. He addressed employee retention and the new concept of the return to a DB system. He stated that the real problem was they were using current dollars for yesterday's employees. He stated that if that were not the case, 22 percent of contribution for a retirement plan was a massive amount of money for a DB or DC plan. He stated the reason the number was so high was because the state got into trouble meeting obligations for past employees. He hoped the committee could discuss that if it were to "do something like this again" the state would not be in a situation in 30 years where it was spending today's dollars on yesterday's employees.

Representative Kopp emphasized that the bill did not reflect a return to the old DB plan. He stressed that the bill was structurally very different. The committee would hear from actuaries and people who managed similar plans and would see what the valuations were in other states with similar plans. He underscored it was a totally different animal and reflected a new plan going forward with shared risk between employees, employers, and retirees. He pointed out that the 20 percent was not the employees' fault. He stated that the 20 percent was largely where the state had to land covering from catastrophic actuarial advice. He remarked that the state had been on the path to recovery, and he believed DOR was doing a great job managing the funds. He highlighted that the state was in the top one-third for performance in terms of climbing out of the hole.

Co-Chair Foster recognized Representative Mia Costello in the room.

Representative Johnson wanted to see some fiscal notes. She believed the bill went through the Senate the prior year

and she did not know if there were fiscal notes attached. She stated it was hard to have a conversation without referring to fiscal notes. She stated that the 22 percent was not enough. She believed the state was currently picking up an additional 6 percent to make municipalities whole. She remarked that there had been many attempts to do retirement plans. She observed that it was possible to look at each of the current [four] tiers to see that someone had a great idea but did not think it through that well. She asked how much the actuary said the return on the previous plan should be to make it whole. She recalled a bill from a couple of years back with a baseline number of 7.38 percent. She did not know what the return on the fund should have been to pay the current liability off. She was trying to get a sense of what the return was supposed to be over 30 years for all of the different plans. She reasoned that at some point the things intersected and there should be some commonality.

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Representative Kopp answered that the actuaries were required to project a rate of return that would result in a full amortization of the unfunded liability by a date certain. The number was currently 7.25 percent through 2039 when all of the unfunded liability of the old system would be paid off. Actuaries had looked at the version of the bill in 2024 and had considered how much additional cost it would bring in while keeping it all paid off by 2039. He relayed that any new plan was required by law to start out 100 percent funded. He explained that because no one would be retired under the new plan at the start, no benefits would be paid and investment returns from employee and employer contributions would go into the system. He thought the actuaries would do a refresh on the payoff day and would likely look at 2040. He reiterated his earlier statement that the return had been 9.1 percent in the past year. Treasury was hitting its benchmarks.

Co-Chair Josephson considered the subject of reasons for departures or withdrawals from the system. He stated it was about the 15th year that a legislator had looked at bringing back defined benefits. Legislators who had proposed the idea included former Representative Lindsay Holmes, former Representative Charisse Millet, Representative Kopp, the late Senator Dennis Egan, Senator Cathy Giessel, and himself. He remarked that the situation

was beyond anecdotal information that people were departing due to the lack of a defined benefit. He highlighted that the state knew that people in the Lower 48 people were actively poaching and recruiting Alaska's employees. He asked if his statements were accurate.

Representative Kopp agreed. He relayed that the committee would hear from the heads of Alaska's public safety agencies and other agencies, and they would report that it was exactly what was happening.

Representative Allard remarked that Alaska had the highest private sector turnover. She highlighted that Alaska was a bit of a tough state that was isolated, and the weather was not always ideal. Part of her concern was the idea of locking employees into a system where they could not cash out their retirement funds as an alternative. She thought some people may decide not to come to Alaska if they were locked into a defined benefit system and could not leave and take their money. She wondered why it would not be possible to have a DB and DC system to give the option. She stated that the bill had not been heard in another committee prior to being introduced in House Finance and she thought it had not gone through a proper process. She thought she would likely be more informed if the bill had been heard in another committee first.

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Representative Kopp answered that he had fought for two years to get the bill heard in the House but had been unable to do so in the past. He relayed that Representative Allard's question was a policy call. He stated that under the bill any current employee could choose to remain in the DC plan, or they could choose to go into a DB pension. Employees would be able to look at the actuarial calculator to determine whether one year of DC would equal one year of DB. Individuals would also look at the annual salary ratio in a DB system. He detailed that in 2024, DOR showed that in a DB system, employees were earning about 5 to 10 percent more than under a DC system. The difference was because in a pension pool there were 10,000 to 20,000 employees, meaning there was risk management, whereas a DC plan was individually run. He explained that if a person was a good money manager, they could make the DC plan perform, but it was only the top percentile that met benchmarks. Under the bill's current structure, everyone

would go into a shared risk pension. He agreed that whether there should be an option [for employees to choose between a DB or DC plan] was a fair question.

Representative Bynum referenced Representative Kopp's statements that the proposed new plan was not the old plan. He hoped to see a simplified comparison between the previous plan, the current plan, and the proposed plan showing the actual cost and to whom. He stated that investing in a retirement program came down to dollars being invested by somebody. The big question people would ask was, "Who is that somebody and how much are those dollars?" He stated that if under a DC plan, employees were getting 22 percent paid by employers the current bill would not be under consideration because employees would be very happy with the generous scenario. Employees were not receiving that amount due to the past liability being paid for by the employers at the cost of current employees.

Representative Kopp noted that the information was included on the upcoming slides. He moved to slide 9 titled "Alaska Workforce Profile 2024." The pie chart showed that most of the state's workforce was five years or less. There was a churn after five years and it started to taper off, with the exception of senior employees with a different retirement plan or lifelong Alaskans who were committed to staying in a local community. He turned to images of various statewide headlines on slide 10 indicating Alaska's law enforcement crisis and teacher shortages. He elaborated that Alaska had a substantial number of foreign teachers on J-4 visas in rural Alaska mostly from the Philippines or other countries. He elaborated that districts could not find local homegrown talent to fill teacher positions. Additionally, there were unprecedented public assistance backlogs and taking care of vulnerable populations, school districts starting late due to a lack of teachers, shortages in police department staffing. He highlighted a quote on the slide from the DPS Commissioner James Cockrell: "'We're sending Troopers to domestic violence by themselves. Bad things happen. Either we end up hurting the person... or a Trooper gets assaulted and gets hurt. I mean this is ridiculous, really, when you think about it.'" He stated that Commissioner Cockrell was referring to the department's inability to recruit troopers. The department reported that it could not find people who wanted to do the job anymore; it was too much risk. He highlighted that on May 1, 2014, two officers were shot and killed on a

domestic violence call in Tanana. He stressed that the jobs were risky. He elaborated that public service was a commitment to put oneself on the line with included giving one's life if that was what one was called to do. He stated that in many of Alaska's rural communities public service members were just one plane crash away from a fatal accident. He elaborated that a court services officer had been gored to death by a musk ox in Nome. People out on the front lines were struggling to have enough support in their job classes to effectively do the job safely. He noted that the bill aimed to provide part of the solution. He added that he was not suggesting it was a silver bullet.

[2:44:58 PM](#)

Representative Kopp turned to slide 11 and discussed department vacancy rates. He pointed out that the vacancy rates had not been doing well for some time, but they had bumped up 1.5 to 2 points more recently. He relayed that agencies had been doing letters of agreement where they were bringing in employees at the pay of four to five job classes higher. Departments were doing big salary increases and bonuses, which had helped turn the corner. The governor's proposal in 2024 to provide teacher recruitment incentive bonuses was about \$58 million. The cost for the proposal was about \$60 million in the current year. He pointed out the proposal only pertained to teachers. The state realized it had to do things to move the needle on vacancies.

Representative Kopp moved to slide 12 titled "Do We Want Alaska to be Competitive again?" He considered whether a goal was for Alaska to be competitive again in the marketplace for a workforce that would directly contribute to private sector stability, strong schools, strong public safety, strong transportation infrastructure, and an environment where business and families wanted to come to Alaska to invest.

Representative Kopp advanced to slide 13 showing a proposed solution in HB 78. He reviewed the slide and relayed that the proposed solution in HB 78 was a new competitive and responsible retirement plan that shared risk with safeguards to prevent underfunding and was a strategic investment and a wage compensation package that would make Alaska attractive in the marketplace again. He turned to slide 14 and discussed the bill's structural features. The

bill built on the best practices of other states that were funded very well, many of them in the 90<sup>th</sup> up to 101<sup>st</sup> percentile. The proposal shared risk between employees, employers, and retirees. He stated that retirees had skin in the game and had to give if the plan was not doing well. The proposal also ensured the system would remain solvent.

[2:47:00 PM](#)

Representative Kopp turned to the bill structure on slide 15 beginning with employee contribution. The employee contribution began at a floor of 8 percent, but it could be adjusted up to 12 percent of their pay. The employee contribution was adjustable by ARMB based on a 90 percent trust fund valuation. The funds had to be evaluated annually by the state's actuary. The employees shared the risk contributing more during poor market returns. He noted that the yellow font [at the bottom of the slide] reflected where the provision could be found in the bill.

Representative Stapp looked at the bullet point on slide 14 that the proposal ensured the system would remain solvent. He remarked that the bill specified that ARMB would adjust the employee/employer contribution rates in the event the plan was not at 90 percent. He asked what compelled ARMB to make an adjustment.

Representative Kopp answered that ARMB followed law set by the legislature. He stated that if there was a desire to be more prescriptive, it could be made iron clad. He detailed that ARMB looked at numerous variables including a five-year smoothing of returns. The bill could direct ARMB to act at a certain point or it could advise ARMB to act.

Representative Stapp considered a scenario where the state was telling an employee ten years from now that the state had to take 9 percent of their paycheck instead of 8 percent due to the unfunded liability. He remarked that ARMB trustees were appointees; therefore, he characterized it as a political decision at the time. He elaborated that it would be a hard decision to make if the state had to tell employees it was going to take more money out of their paychecks. He thought it sounded like Representative Kopp would be open to mechanisms that made sure ARMB would be directed to make a change to the employee contribution if the plan dropped to 80 percent.

Representative Kopp answered that it would be good to have someone from ARMB talk about the issue. He relayed that he was not an actuary or ARMB expert, but he knew they considered a number of factors. He had heard from actuaries that making a small increment change such as moving from 8 to 8.1 percent would result in a significant strengthening of the system. He added that it was a shared risk, meaning that if employees were doing it, employers would also contribute another 0.1 percent.

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Representative Allard remarked that the bill pertained to PERS and TRS statewide, but it seemed Representative Kopp was talking a lot about public safety. She shared that when she was growing up in the Lower 48, many of her friends moms were teachers in the 1970s and 1980s so they could teach while their kids were in school and stay home with them in the summer. She stated they did not do that anymore; teaching had changed completely and included homeschooling, correspondence, and other forms. She wondered why the bill was not specifically a public safety bill instead of a DB plan for all public employees. She asked if Representative Kopp felt the recruitment for state employees was not happening.

Representative Kopp answered that the department directors had all communicated that they were having substantial trouble with staffing. He did not believe they were making it up. He thought it was a crisis for teachers and he did not believe any school district had indicated it was doing well. He had seen a letter from the Mat-Su School District highlighting that recruitment and retention was a real issue. He pointed out that he came from a public safety background, which informed examples and stories he shared. He believed the plan should cover all employee classes.

[2:52:34 PM](#)

Representative Bynum referenced the sliding scale of 8 to 12 percent [for employee contributions] that could be adjusted by ARMB based on a 90 percent trust fund valuation [slide 15]. He asked what happened if there was a need for more than 12 percent.

Representative Kopp answered that actuaries would say that the scenario was almost impossible to occur. He relayed that even a small decrement of a 0.1 percent had a significant input into the system, especially when shared with employers bumping up by 0.1 percent. He informed the committee that an 8 to 12 percent range would be the largest contribution range nationwide. There were some states that had ranges of 8 to 10 percent and they were funded in the high 90s to 100 percent. The range included in the bill provided larger room for error if there was a catastrophic year-over-year fail to return. He deferred the scenario provided by Representative Bynum to actuaries, but he stated they would say it was very unlikely to occur.

Representative Bynum asked why they would not eliminate the restriction on the cap if the scenario was unlikely to ever happen.

Representative Kopp answered that it was a policy call. He believed that to signal certainty to employees. He believed a good reason to include a cap was that the actuary said the scenario of having to fund at that level was almost unthinkable. He provided a hypothetical scenario where 30 percent of the workforce was wiped out in a catastrophic accident and the rest of the workforce was carrying the load. He stated it would take something remarkable like the hypothetical scenario to occur. He deferred to actuaries to provide better advice on the policy call.

[2:54:44 PM](#)

Representative Bynum asked about defining the risk to the employer. He referenced conversation about keeping a stable workforce. He provided a hypothetical scenario where an employee was working and all of a sudden the cost out of their paycheck was potentially a 4 percent jump. He asked how to deal with the potential situation in a market with high costs. He reasoned there could be the same scenario as in recent years going from COVID to the current time where costs had suddenly gone out of control. He asked if the risk had been considered.

Representative Kopp answered that the proposal in HB 78 was a shared risk plan. He believed any employee who chose the voluntary plan (employees could opt to remain in their current plan or go into a DB shared risk pension) needed to understand that the plan was structured as shared risk. He

liked how Representative Bynum had looked at the issue from the perspective of the employee and the employer. He believed the bill provided a balance.

[2:56:30 PM](#)

Co-Chair Josephson recalled that the 12 percent had been an amendment offered by former Representative Bart LeBon who was known for his fiscal conservatism and as a career banker. The number had been 8 to 10 percent as noted by Representative Kopp. He stated that HB 78 was a more cautious bill.

Representative Kopp agreed.

Representative Allard remarked that the bill had not come from the executive branch. She referenced a statement from Representative Kopp that he had been hearing "this" from directors. She wondered apart from DPS which commissioners and directors were requesting a DB bill.

Representative Kopp answered that pertaining to the governor's FY 26 budget rollout, many directors cited the challenges related to recruitment and retention, high turnover, loss of institutional knowledge, and loss of ability to train incoming employees because they were losing trainers. He stated that agency after agency it was a top concern listed in their budget books.

Representative Allard commented that the individuals were not actually requesting a DB plan because departments were losing employees. She thought the population in Alaska had remained steady. She was concerned about the implication that executive branch employees were asking for the plan.

Representative Kopp clarified that he was not saying that. He was saying the individuals were recognizing there was a problem and steps needed to be taken to turn it around. The bill was a proposed solution to implement a shared risk retirement plan going forward. He elaborated that directors were merely talking about the current situation and were not coming forward with a policy call.

Representative Allard thought it was possible to limit the bill to public safety only to give first responders the option to cash out and go [under a DC plan] or remain with the state under a DB plan.

Representative Kopp stated that the legislature could do whatever it wanted. He noted it was not the intent of the finance committee.

Representative Allard agreed. She stated that if the bill had gone through the House Labor and Commerce Committee maybe the questions could have been asked.

Representative Kopp stated that he was glad for the questions.

[2:59:55 PM](#)

Representative Stapp referenced Representative Kopp's statements that 12 percent would never happen. He stated there were police and fire departments that already had 12 percent contributions including the Colorado Public Fire and Safety, City of Denver, and Ohio. He guessed that employees in Denver had likely been told 20 years ago they would never have to contribute 12 percent. He agreed that he did not see the possibility [of a 12 percent employee contribution] happen when looking at actuarial studies; however, the heartburn on the risk - to pay today's dollars for yesterday's employees - was mitigated significantly by tweaking the percentages. He knew it was challenging because they did not want employees to pay 90 percent of their salary to have a pension because it would defeat the purpose of having a pension. He asked if the bill sponsor was willing to look at tweaking the number from the perspective of a more risk averse option.

Representative Kopp clarified that HB 78 was a House Finance Committee bill and the committee would have to discuss that. He pointed out that if employees were at 12 percent the employers were also at 12 percent. He stated there were very few other entities sharing the risk in that way. He stated that due to the shared risk it was even less likely the scenario would occur.

Representative Stapp redirected his question to the committee.

Co-Chair Foster answered that the bill had not yet been fully vetted and he wanted to ensure committee members had a comfort level with the information. He wanted to get through the presentation and hear from testifiers. After

that point he suggested they could begin to talk about the idea.

3:02:18 PM

Representative Kopp moved to slide 16 and highlighted states that used a variable employee contribution rate including Idaho, Iowa, Maine, Montana, Nevada, Wisconsin, and Arizona. He relayed that the aforementioned states were performing strongly, all better than Alaska. He noted that Wisconsin was funded at 99 or 100 percent and several other states were in the 90s. The bill borrowed a best practice from other states and had a larger contribution rate possible. He highlighted that ARMB could ratchet the rates back down to the floor for employees and employers if the plan year-over-year was above 90 percent.

Representative Kopp addressed the employer contribution on slide 17. He relayed that the bill allowed the 22 percent rate [for PERS] to be reduced down to 12 percent. He referenced the bill's structural improvements and looked at states with similar plans that were well funded. He stated there was no reason to have a plan that was over funded. He relayed that the employer contribution range in the bill was 12 to 22 percent for PERS, and the rate could be adjusted by ARMB. The floor was to ensure the state never had another 2001/2002 Mercer situation where it did not contribute to its employee plans because they were 101 percent funded. Actuaries would speak more to the 12 percent floor. The bill allowed the 12.56 percent employer contribution rate for TRS to be lowered to 12 percent. Under the bill, the state would maintain the existing liability toward past service cost above the 22 percent. The additional 3.1 or 4.1 percent of additional state contributions per year (whatever was necessary) would not be put off on municipalities. He underscored that the employer and employee contributions were synced; if a rate was increased or reduced the employer and employee would share in the risk or reward.

3:05:01 PM

Representative Tomaszewski referenced Representative Kopp's statements that other states were very well funded. He looked at the list of states on slide 16 and asked if they were the states Representative Kopp considered to be very well funded in their plans. He asked if there were others.

Representative Kopp answered that the state's listed had a shared risk mechanism. He had specifically highlighted a couple that were doing very well. He believed all of the states listed were doing better than Alaska, but he would have to double check.

Representative Tomaszewski thought there must be other states that were very well funded as Representative Kopp had made the remark a couple of times.

Representative Kopp responded that he would address the topic in more detail on upcoming slides. The bill borrowed several practices from other states to create a unique plan and the most risk averse shared risk pension system in the country. He would highlight the states that were well funded further on in the presentation.

Representative Bynum remarked on the statements that the plan was new and nothing like the old plans. He discussed that PERS and TRS were currently separated as opposed to a combined pool. Additionally, there were different percentages proposed in the bill that could put different risk on the PERS and TRS employers. He addressed the idea of maintaining the 22 percent [PERS employer contribution]. He highlighted that in the current DC plan there was a defined cost of about 9.5 percent to the employer. He noted the amount varied, but the employer was giving about 5 percent for most PERS - he thought the employer/employee contribution for DPS was a bit different - additionally there was a health component resulting in a total cost of about 9.5 percent to the employer. There was also about 12.5 percent cost to the employer (the municipality) up to the 22 percent cap. There was an additional cost that went to the state that he referred to as the "on behalf" part. He heard Representative Kopp saying that if liability increased, the employer contribution went from 12 to 22 percent. He pointed out that employers were already paying 12.5 percent for past liability. He asked if the percentage in the bill would be added on top of the existing 12.5 percent.

Representative Kopp answered that in a 22 percent PERS contribution there were two classes of retirement including the old DB pension and the current DC plan. The existing 22 percent was broken out between the two trusts. He believed 12 percent went into the DB plan and 10 percent went to the

DC plan. He explained that the percentages included cost for health and occupational and disability/death benefits. The bill specified that if a new system was above the 90 percent funding profile, ARMB had the option of lowering the required contribution for municipalities to something less than 22 percent. Local governments had been asking for the rate to be lowered for a long time. He noted that the Alaska Municipal League had said that eventually things would be doing okay, and the state would catch up on the old liability. He stated based on paying the past service cost that the bill proposal would allow dropping the cost to 12 percent as long as the plan was funded at 90 percent or above.

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Representative Bynum remarked that there were multiple classes of employees under tiers II and III [in the DB plan] and under Tier IV in the DC plan. As an employer, there was a cost associated with each employee. He was specifically focusing on the cost of a tier IV employee. He believed the cost under the tiers II and III was about 22 percent from the employer plus an additional 6 percent from the state for a total 28 percent. Under tier IV there was a DC component from the employer and a past liability cost of a new employee. For example, under tier IV an employer paid 12.5 percent for a new employee to cover someone who was retired. He was trying to figure out how the shared cost component would not cost the employer more money.

Representative Kopp responded that he could best explain the system through a chart showing how the 22 percent was broken down between the DC and DB systems. He explained that the employers did not pay anything above the 22 percent cap. Any additional cost was paid by the state. He noted that if the state was the employer, it was responsible for the entire amount. Local government was capped at 22 percent with about 12 percent to DB and 10 percent to DC. He had a chart showing all of the benefits and how they comprised the 22 percent. He relayed that the 12.56 percent for TRS was broken down into a percentage for DB and DC as well.

Representative Bynum was interested in seeing the percentages broken down for the average observer to see the benefits, cost, and who was paying.

3:13:15 PM

Representative Stapp referenced that under the bill the employee contribution started at 8 percent and the employer contribution started at 12 percent. He provided a scenario where ARMB increased the employee contribution to 9 percent. He asked if under the scenario the employer contribution would be raised to 13 percent.

Representative Kopp responded that the 22 percent [employer contribution] cap for PERS and 12.56 percent cap for TRS was still a cap under the legislation. The bill provided the ability for the contribution rate to be reduced. The employer and employee contribution were variable. The bill was structured so that the 22 percent maintained the entire cost. He relayed that someone from the Division of Retirement and Benefits would have to discuss how the division would maintain the current cap. He could follow up with the information.

Representative Stapp stated that many municipalities had discussed how they were looking forward to being able to clear the unfunded liability. He highlighted that the state paid more money for yesterday's employees than it was contributing for current employees. The municipalities were looking to see the liability paid off so they could use the money for other things. He viewed the bill to mean that the best case scenario meant the employer contribution could be decreased as low as 12 percent, but the 22 percent would carry forward in the bill. He asked if it was the intent to say that the limit of risk for the employer contribution was 22 percent in perpetuity.

Representative Kopp answered that it was the case until the law was changed. There was a state law that capped the contribution rate at 22 percent. The variables could move up and down within the structure. He considered whether it would result in the state paying a higher "on behalf of" amount (the state paid anything above 22 percent). He reasoned that if the [employee and employer contribution] percentage was bumped up 0.1 percent it would likely mean the state's contribution would increase by the same amount. Unless the legislature changed the law, the local government contribution cap would remain at 22 percent.

Representative Stapp asked why the legislature chose to have school districts absorb less of the risk as opposed to municipalities.

Representative Kopp answered that he was not the TRS expert. He relayed that local property taxpayers in most districts contributed heavily to the amount. He thought it may have been a reason for the reduced amount. He clarified that he was not the authority on the specific topic.

Representative Allard considered a scenario where there was a DB and DC option for employees. She asked Representative Kopp for his opinion on a system where DB participants could not access their retirement pension until the age of 62. She stated that people double and triple dipped. She remarked that it would save the state money. She noted that the Alaska National Guard used that method.

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Representative Kopp responded that he was not familiar with the scenario. He explained that the bill was structured so a PERS employee could retire at the age of 60 with a minimum of five years' service. He detailed that even if a person only worked for five years, they had to wait to withdraw anything until they turned 60. He added that they only received credit for the five years they worked. Or a person could take retirement after working 30 years' service. The only exception was for public safety where an individual could work for 25 years and draw their pension at the age of 50 or work for 20 years and draw their pension at the age of 55. Under the legislation, the health portion was a health savings account and was unchanged from the current DC plan.

Representative Allard stated her understanding of the length of time a police officer had to work in order to retire and draw on their retirement funds.

Representative Kopp answered that if a [police officer] served 25 years they could draw on their pension as early as 50 years of age.

Representative Allard stated the person could technically double dip. She reasoned that the person could draw their retirement pension at the age of 50 and go work for the airport police to receive a paycheck.

Representative Kopp clarified that was not the case. He explained that airport police were also in the police fire system. An individual could not double dip on their pension in that way. He explained that if a person was already retired under PERS public safety they would have to stop taking their retirement to reenter the system as an employee to start building credit again.

Representative Allard thought an individual could go into any other line of work and double dip by continuing to receive their retirement as long as the work was not within state government. She thought the individual could become a security guard and continue to receive their pension.

Representative Kopp answered that anyone who retired at the age of 50 or 55 would likely still be working until the age of 70. He noted that Medicare did not start until the age of 65 and a full social security withdrawal was possible at the age of 67. He explained that even a public safety employee who retired at the age of 50 or 55 would be working until Medicare. He highlighted that the average pension in Alaska was modest at about \$28,000 per year.

Representative Allard thought it was possible to include an amendment where individuals could not access their pension until 62 years of age.

Representative Kopp stated they were policy calls. He addressed the idea of requiring an individual to wait to receive their pension another 12 to 14 years after retiring. He explained that whether a person was a teacher, a diesel mechanic, police officer, or plow driver, once a person had done a job for 25 years 30 years, many people physically were not in a position to get a well paying job after that time. He considered the abuse a body was put through on the job or narrowly confined job skills [that may limit a person's ability to find a well-paying job after retiring]. He reminded the committee that Alaska did not pay into social security; therefore, individuals with a career in public service were not looking forward to a social security benefit. He explained that individuals really needed the pension. He remarked that the pension was modest. He agreed the time period could be extended to make retirees wait to receive their pension; it was all a policy call.

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Representative Allard commented that all state employees currently received retirement. She remarked that Representative Kopp had stated that the retirement was not for an individual to necessarily retire at the young age of 50 or 55. She noted that he had also stated that an individual may be hurt and could not go back to work [after retiring at age 50 or 55]. She thought it did not make sense. She argued that a diesel mechanic would not work for the state and would not receive state retirement.

Representative Kopp answered that in some job classes after a person worked 25 to 30 years, individuals spent a lot of time in occupational therapy. He elaborated that an individual would not go out to be a police officer again and would not want to wrestle 21-year-olds to the ground any longer because it was dangerous. He agreed that an individual could likely get a security officer job in the private sector, but they would not likely be doing a high paying job of any kind in the job class they had left unless it was an administrative office job.

Representative Allard agreed. She stated that being in the military she understood, and her husband was retired special forces and was a little bit broken; however, her husband made quite a bit of money as an engineer currently and it was not in the same line of work. She thought it was necessary to acknowledge there was currently a retirement plan. She thought if the bill moved forward, it would be necessary to increase the age a person could collect on their pension.

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Representative Bynum clarified that the bill was only a money bill and did not provide an extended healthcare benefit in retirement. He noted the previous scenario provided where a police officer retired at the age of 50. He thought it was likely the individual would have to find employment because they would need to carry health insurance for themselves and their family. He stated that the bill would not bridge the gap to Medicaid or Medicare. He asked for verification that the bill was purely a pension system and not healthcare.

Representative Kopp agreed. The bill gave an employee a health savings account and it was their responsibility to manage their insurance the best they could and bridge them to Medicare. He confirmed there was no included healthcare component like the previous DB system, which was one of the key things that kept the cost down. There was not a healthcare component risk to the state; it all resided with the employee.

Representative Bynum asked if the creators of the bill had considered providing a medical benefit to retiring employees as opposed to a continued monetary benefit. Based on his experience talking with individuals, one of the biggest issues they faced at retirement was how they would bridge healthcare and not whether they would have money coming in via a pension check. He stated that individuals continued working because they could not stop working. He highlighted that the current health fund was doing very well.

Representative Kopp responded that including a traditional DB healthcare component made the bill too expensive. He shared that there had been substantial pushback from employees for the reasons pointed out by Representative Bynum, it was not employee friendly. The number one thing that kept people in a job too long was trying to survive until they received their insurance. He stated that the actuaries reported it drove up the cost of the plan; therefore, the best the bill could include was a good health savings account. He believed it was what the private sector did and what the state would do. He thought Representative Bynum was asking whether a bill could consider offering a healthcare benefit in lieu of a pension benefit. He had not considered the idea and had not been asked to do so. He had been asked to think about the reliability of some base level of income. He understood that health insurance was incredibly important and was one of the top concerns of every American worker.

Co-Chair Foster noted that the committee had come to the end of its allotted time. He stated the committee would take its time with the bill. He apologized to individuals who had waited online to testify. He noted there were two meetings the following day. He relayed that the invited testifiers could call into the meeting the following afternoon.

HB 78 was HEARD and HELD in committee for further consideration.

#  
ADJOURNMENT

3:30:17 PM

The meeting was adjourned at 3:30 p.m.