

HOUSE FINANCE COMMITTEE

April 4, 2025

1:33 p.m.

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CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:33 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair  
Representative Andy Josephson, Co-Chair  
Representative Calvin Schrage, Co-Chair  
Representative Jeremy Bynum (via teleconference)  
Representative Alyse Galvin (via teleconference)  
Representative Sara Hannan  
Representative Nellie Unangiq Jimmie  
Representative DeLena Johnson (via teleconference)  
Representative Will Stapp  
Representative Frank Tomaszewski

MEMBERS ABSENT

Representative Jamie Allard

ALSO PRESENT

Danielle Redmond, Self, Juneau; Electra Gardinier, Self, Juneau; Randy Sutak, Self, Juneau; Jesse Slone, President, Supervisory Unit, Local 4900, Juneau; Carole Bookless, Self, Juneau; Representative Chuck Kopp; Representative Dan Saddler.

PRESENT VIA TELECONFERENCE

Jan Carolyn Hardy, State President, AFSCME Retirees, Anchorage; Robert Whipple, Member, National Education Association of Alaska, Emmonak; Emily Moody, Self, Cordova; Judy Gonsalves, Self, Homer; Riki Lebman, Self, Anchorage; Jake Metcalfe, Self, Anchorage; Jess Pervier-Brown, Self, Anchorage; Shane Hand, President, Seward Public Employees Association, Local 6586, Seward; Ryan Frost, Managing Director, Reason Foundation, Snoqualmie; Patrick Messmer, Police Officer, Seward; Sarah Snyder, Self, Anchorage;

Darrell Evans, President, Anchorage Police Department Employees Association, Anchorage; Traci Sanders, Self, Wasilla; Donna Phillips, Alaska Nurses Association, Girdwood; Kathleen Yerbich, Self, Wasilla; Marge Stoneking, Advocacy Director, American Association Of Retired Persons (AARP), Anchorage; Lindsay Layland, Self, Dillingham; Victoria Vinson, Self, Wasilla; Shane Serrano, Self, Anchorage; Cindy Spanyers, Self, Juneau; Ken Huckabe, Self, Wasilla; Justin LaCoss, Matsu Education Association, Palmer; Julia Inga, Self, Palmer; Willy Keppel, Self, Quinhagak; Ken Griffin, Self, Wasilla; Keddie Johnson, Self, Kenai; Louis Theiss, Self, Girdwood; Jackie Gohl, Self, Juneau; Manda Gershon, Self, Wasilla; Seth Nielsen, Self, Palmer.

#### SUMMARY

HB 78 RETIREMENT SYSTEMS; DEFINED BENEFIT OPT.

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

Co-Chair Foster reviewed the agenda for the meeting. The committee would hear public testimony on HB 78.

#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 reviewed the agenda for the meeting.

^PUBLIC TESTIMONY

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DANIELLE REDMOND, SELF, JUNEAU, relayed that she had previously worked as a retirement and benefits counselor for the state. She was generally supportive of the bill.

She wanted to highlight the issue of medical benefits. She related that many retirees had informed her that medical benefits in retirement were more important to them than the financial aspect. She discussed cost and access. She informed the committee that historically retirement healthcare costs were high but when Tier 3 was enacted the rules for medical coverage were much clearer. In 2023, Alaska Care was doing very well financially. She noted that Tier 4 members had to pay for their medical coverage, but at least it was an option. Currently Tier 4 members were required to wait to retire until age 65 through active employment (for one year before retirement) with at least 10 years of service to receive medical benefits. Many retirees lost access to medical coverage as a result of the rule. She strongly urged the committee to keep retiree healthcare benefits.

Representative Stapp appreciated the testimony. He understood that the bill only had a Health Reimbursement Account (HRA). Ms. Redmond asked if they were able to buy into the Alaska Care healthcare plan. Representative Stapp replied in the negative. Ms. Redmond added that the HRA plan was also forfeited if a Tier IV member retired without the active year of employment at 65.

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ELECTRA GARDINIER, SELF, JUNEAU, relayed that she was currently a teacher in Juneau. She spoke in support of the bill. She shared her personal story about receiving higher education and working to pay off her Alaskan loan that accrued \$20 thousand in interest. She worked as a teacher for eight years. She hosted an afterschool art club and volunteered in the community for hundreds of hours each year. She stated that teaching was tough and was not getting any easier. She shared that she still owed thousands in student loans, was not eligible for Social Security, and had a "measly" 401 K plan. She indicated that on the west coast of the United States (US) her pay would be \$20 thousand more in addition to a pension. She wanted to stay in Alaska and to retire here. She asked for Alaska to show up for educators like she showed up for her students.

Representative Stapp clarified that his earlier statement regarding HRA funds needed to be corrected.

Representative Hannan congratulated Ms. Gardinier for her new baby and for staying in Alaska.

Representative Josephson asked if Representative Stapp meant there was uncertainty about whether HRA funds could be used to pay Alaska Care Premiums. Representative Stapp answered that HRA could be used for any type of insurance or medical expense. The question was whether HRA funds were eligible in the proposed plan.

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RANDY SUTAK, SELF, JUNEAU, supported the bill. He indicated that there was obviously an issue with the current retirement system, or the hearing would not be taking place. He asked the legislators whether they had already made up their minds about the topic and hoped not. He believed that it was necessary to remain open minded and consider the evidence, data to determine the cost to the state versus the costs to the state and communities if a system was not implemented. He voiced that how the state took care of its employees and citizens was a choice. He relayed a story from personal experience regarding a lifelong worker who could not afford to retire but would have if he was part of a DB plan. He pointed to the costs to the state for people like him needing to rely on state benefits. He observed that the legislature focus of the bill was on how much they could afford to spend and how much to invest. He suggested that the more that could be invested on the frontend, meant the less the state would have to invest on the backend.

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JESSE SLONE, PRESIDENT, SUPERVISORY UNIT, LOCAL 4900, JUNEAU, spoke in strong support of the bill. He shared that employees with the Defined Benefit (DB) plan were incredibly grateful and those without wondered how long they could justify dedicating themselves to a state that did not reciprocate. He relayed a story from personal experience regarding Tier I employees retiring securely. He felt that many younger workers feared they would lack a dignified stable retirement. He shared that his son worked in Information Technology (IT) for the state, and he was wondering whether he could remain in state much longer. He believed that a person who dedicated their lives to the state should not have to live in poverty in old age. He

stressed that a DB plan was a strong investment in the state's workforce, institutions, and shared future. He stated that the bill was a chance to return to a system of shared values. He urged support of the bill.

Representative Bynum asked whether Mr. Slone was testifying in favor of a robust retirement system with the expectation of returning to a DB system similar to Tiers 1 through 3. Alternatively, he asked if Mr. Slone was saying he wanted to return to any kind of DB system. He wondered whether Mr. Slone would be happy with a DC plan if it provided a substantial retirement. Mr. Slone replied that there were a lot of unknowns to be able to answer the questions. He would need to see details. He trusted the work that was done on the current bill.

Representative Tomaszewski asked if any of the 2,000 members of Local 4900 were private sector employees. Mr. Slone answered that the members were only state supervisors. Representative Tomaszewski asked for verification that there were no private sector employees in the union. Mr. Slone agreed with his statement.

Representative Hannan asked for verification that Mr. Slone was aware the system in the bill was not the prior Tier 1 through 3 systems. Mr. Slone answered in the affirmative.

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JAN CAROLYN HARDY, STATE PRESIDENT, AFSCME RETIREES, ANCHORAGE (via teleconference), testified in support of the legislation. She indicated that the Tier IV retirement system was based entirely on the "vagaries of the stock market." She believed that asking Tier IV employees to work under such a plan was "ludicrous." She voiced that Alaska was the only state without a DB system. It was no wonder the population of Alaska was decreasing, and employees were being lost. She relayed from personal experience that years ago, everyone wanted to work for the state due to union negotiated benefits. She believed that not only was the current federal regime working to dismantle Social Security but Alaska was also failing to support its workers' future by not offering its hard working, dedicated public servants a defined benefit. She stated that the public service unions had provided information regarding the shortfalls of a Defined Contribution (DC) plan, which she contended was the stock market. She stressed that Alaska owed individuals who had served the state. She asked the committee whether

they would remain in Alaska under a DC plan or work elsewhere and invest their savings in a DB plan in another state.

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ROBERT WHIPPLE, MEMBER, NATIONAL EDUCATION ASSOCIATION OF ALASKA, EMMONAK (via teleconference), supported the legislation. He shared that he was a special education teacher with 14 years of experience in the state. His prior job was in California where he worked under a DB plan. He communicated that his wife was also a teacher in the state without a DB plan nor Social Security. He emphasized that the Alaska DC system was not sustainable for educators and without passage of the bill they would be forced to return to California to work in a DB plan in order to retire. The current DC plan, based on stock market performance lacked retirement security. He shared that in his 14 years in Alaska, he had seen how turnover disrupted schools and negatively impacted students. He stated that the bill would help retain teachers and improve schools. He urged support of the bill.

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EMILY MOODY, SELF, CORDOVA (via teleconference), spoke in favor of the bill. She shared that she was a teacher for 14 years and was in the Tier 3 system. She believed the bill would retain existing teachers and attract new talented teachers to the state. She argued that a teacher's entire financial future should not rely on a 401K based on market volatility. She felt that concerns over financial uncertainty divided her attention away from her students and believed the system the state created was "disgraceful." She asserted that teachers did the hardest work with no financial rewards compared to the private sector. She reported that 70 percent of Tier 3 teachers could currently outlive their retirement savings. She claimed that Alaska had the worst teacher turnover rates in the country. She stressed the importance of retaining teachers that had been trained at high costs to the state. In addition, the situation harmed student achievement, which was supported by data. She was incredibly tired of worrying about her financial future. She just wanted to know her hard work would pay off and that she would not have to leave the state for better salary, benefits, and the ability to retire. She understood that a new retirement

system came with costs, but she wanted the costs considered against the cost of doing nothing. She stated that once all of the Tier 1 and 2 teachers retired, it would leave a revolving door of teachers and lost institutional knowledge. She maintained her distress over the situation and stated that "some things were worth paying for." She urged the committee to pass the bill.

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JUDY GONSALVES, SELF, HOMER (via teleconference), testified in support of the bill on behalf of herself and educators in the state. She shared that she is a retired teacher. She was fortunate to be in Tier 1. She had a daughter living in Alaska who had recently done the Master of Arts in Teaching (MAT) program in Southeast and was a teacher in a rural community. She expressed disappointment over how the state was unsupportive of its teachers who were struggling with their financial futures. She urged the committee to develop a retirement system that teachers could rely on. She hoped the issue remained a priority.

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RIKI LEBMAN, SELF, ANCHORAGE (via teleconference), testified in favor of the bill. She shared that she and her husband were currently retired and described how they had come to live in the state and their professional work experience. She and her husband were still living in Alaska for 50 years because they could afford to retire in the state after professions in the public sector. She offered that Alaska's public sector jobs were not attractive for young people. The system was deficient in financial and health benefits, which created more job insecurity. She believed the bill needed to pass in order to attract and retain people to the state.

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JAKE METCALFE, SELF, ANCHORAGE (via teleconference), spoke in support of the legislation. He shared that he had worked for unions and as an attorney in Alaska and was retired. He detailed his work experience in the state and noted his retired Tier 1 status. He supported the bill due to retention and recruitment issues, retirement security, and the economic benefit to the state. He relayed that when the DB program ended, he had predicted that the recruitment and

retention issues it created. Subsequently, he learned how bad the problem escalated in the state with deficits of teachers, public safety, and general government workers. He had been advocating for a DB system for 20 years. He elaborated that many employees took their DC money and left for another state with a DB system. He did not believe it made any sense. He discussed the cost to train police officers of up to \$30 thousand and subsequently leave Alaska after five years with their earned DC funds. He thought it did not make any sense for the state. He thought that individuals would stay working in the state under a retirement system that offered workers dignity. He asked the committee to support the bill.

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CAROLE BOOKLESS, SELF, JUNEAU, was in favor of the bill. She shared that she was a teacher and just had a hip replacement. She should have retired by now; she would be 69 years old in the current year. She was retaining her job in the hopes of entering a DB plan if it happened. She shared that the Division of Retirement and Benefits (DRB), Department of Administration (DOA) had told her that the buy in would be so expensive that it was likely cost prohibitive. She relayed that her son was currently in the state in the MAT program. She advised him to work in another state with a DB plan. She stated that it was painful to keep working so long but she did not really have a choice. She stated that \$24,000 a year was not a lot to live on and stated that "the DC system was horrible." She stated that she would like her son to remain in Alaska.

Representative Stapp thanked Ms. Bookless for her testimony. He asked for details regarding her conversation about buying into the DB plan. Ms. Bookless replied that there were recently people who were trying to get back into Tier 1 and the buy-in was exorbitant. Based on that, she was told that if the state went back to a DB system the buy in would be "substantial." She stated that teachers were always optimistic, but the situation worried her. Representative Stapp asked if she was a former Tier 1 or 2 employee. Ms. Bookless replied in the negative.

Representative Hannan thanked Ms. Bookless for her work.

[2:19:06 PM](#)

JESS PERVIER-BROWN, SELF, ANCHORAGE (via teleconference), supported the legislation. She shared that she worked for the Division of Public Assistance (DPA), Department of Health (DOH). She related that she had worked during COVID and discussed some perspectives on working with the most vulnerable populations. She currently was a benefits certification eligibility trainer. She had firsthand experience in her knowledge of the population's needs and trends. She indicated that presently, the division had a significant retention problem. Currently, the vacancy rate for eligibility technicians was so high that DPA offered a sign-on bonus and still did not have enough employees. She relayed that she heard many technicians discussing their low salaries and lack of benefits that were "not good enough." She was told that the Tier 4 DC system was "crappy" by current state employees before she took her current position and was advised to work for ten years, leave, and return to work again before retirement. She disclosed that the number of Alaskans who were technicians that were currently eligible for senior benefits was "shameful." She stressed that the bill was desperately needed.

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SHANE HAND, PRESIDENT, SEWARD PUBLIC EMPLOYEES' ASSOCIATION, LOCAL 6586, SEWARD (via teleconference), testified in support of the legislation. He voiced that he echoed the sentiments of the prior callers. He referenced the need for financial security and dignity in retirement. He highlighted housing costs and high expenses living in the state and the problems with state employee recruitment and retention. He believed that there was a loss of institutional knowledge via a revolving door of employees. He stressed the importance of institutional knowledge for the jobs and communities they served. He thought the state could show its dedication to employees by adopting the bill. He reiterated the association's support for the bill.

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RYAN FROST, MANAGING DIRECTOR, REASON FOUNDATION, SNOQUALMIE (via teleconference), relayed information about the work of the foundation. He spoke against the bill. He stated that the goal of the bill was to improve recruitment and retention but noted the importance of evaluating whether the change would help solve the workforce

challenges in a way that was fiscally responsible. He maintained that based on the foundation's actuarial modeling a best case scenario showed the bill's cost at \$2.1 million over the next 30 years. A more "realistic" scenario based on Alaska's past 23 years showed it would cost \$11 billion over 30 years. He noted that the costs were tied to its investment assumptions. The bill's cost was based on a rate of return of 7.25 percent, yet Alaska's pension funds had only earned 5.8 percent annually since 2001. He recommended employing a "more realistic" rate in the mid-6 percent, which aligned with actuarial best practices, however, still leaving a liability of \$2 billion. He contended that advocates for the bill often stated that employee turnover and retention was a reason to return to a DB plan. He argued that based on their analysis, Alaska's retention was "better than most states," at 13.6 percent in 2023. He reported that Oklahoma transitioned to a DC plan in 2011 and had the second lowest turnover than neighboring states. He elaborated that according to the foundation's modeling, more than 90 percent of new hires under the proposed DB plan would receive lower benefits because most employees leave within 10 years. He voiced that the current retirement gap was related to the Alaska Supplemental Annuity Plan (SBS) that acted as an actual retirement account and offered higher benefits than Social Security. However, Alaska teachers were not covered under SBS and had no social security; it created a significant shortfall. He claimed that SBS provided \$60 thousand of additional yearly income for a teacher who worked a full career. He summarized that Alaska was not facing unique turnover rates and the DC plans combined with SBS was "more generous" than other states.

Representative Stapp referred to testifiers' comments regarding the recent rapid market downturn. He thought there seemed to be some disassociation. He asked what poor returns did to unfunded liabilities for DB plans. Mr. Frost answered that DB plans experienced the same downfall as DC plans, but the liability was put on the state to make up the shortfall.

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Representative Bynum asked if Mr. Frost could share the foundation's research and reports with the committee. Mr. Frost replied affirmatively.

Representative Hannan asked who had paid for the foundation's research to evaluate Alaska's retirement system. Mr. Frost answered that the entity was funded by small donors across the country. He added that they chose Alaska's system to spend its actuarial funds on. Representative Hannan asked for the amount of costs incurred to conduct the research in Alaska. She noted that actuarial costs were expensive. Mr. Frost agreed it was an expensive endeavor. He did not have the cost on hand. He would be happy to provide the information. Representative Hannan stated that if the committee was going to obtain the report, she would like to know who paid for it.

Representative Tomaszewski asked Mr. Frost to repeat the turnover rates he provided. Mr. Frost replied that in 2023, Alaska's public employee turnover rate was about 15 percent, and the national average was 18.1 percent. He added that the overall turnover rate for teachers was around 20 percent, and the U.S. average was about 18 percent. He detailed that in Anchorage, it was 16.4 percent.

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Co-Chair Josephson stated that in 2022 the foundation concluded that some employees would be better under DB plan. Mr. Frost answered that a teacher working for 29 years in Alaska would be better off in a DB plan and for general employees anyone working more than 25 years was better off in a DB plan. He elaborated that for police and firefighters it dropped down to the 23 year mark when the DB plan would be more generous.

Representative Bynum asked for clarification regarding what plan was being compared; Tiers 1 through 3 or HB 78. Mr. Frost clarified he was speaking about HB 78 provisions.

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PATRICK MESSMER, POLICE OFFICER, SEWARD (via teleconference), supported HB 78. He related that he worked as a police officer for the past 25 years. He had seen the effects of the Tier IV system decreasing the number of employees. He had experienced firsthand since 2006, the issues with recruitment and retention and how it impacted the police department. He indicated that less employees remain until retirement. He offered that it caused a public

safety issue and made it more dangerous "out on the street." Alaska police officers were assaulted at a 5 times higher rate than the national average. He indicated that Seward's police did not accrue SBS along with the Tier 4 retirement. He observed that younger officers did not have a way to retire under Tier IV. He shared that he would retire within the month under Tier 3 and planned to open a small business. He would not have been able to open a business or remain in the state without the pension. He stated that tier 4 had been "devastating" to law enforcement recruitment and retention.

Representative Tomaszewski asked if Seward police could be in SBS. Mr. Messmer replied that SBS was not currently an option, and the city would need to opt into the program. It would take a collective bargaining agreement to make the change.

Representative Bynum asked about the potential impacts at the local level of additional costs for the DB plan in HB 78 if the state did not pick up the additional cost. Mr. Messmer did not know the answer. Representative Bynum asked about Seward's capability to cover additional costs for the plan or whether the state would need to make up the difference. Mr. Messmer replied that he not qualified to answer the question.

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SARAH SNYDER, SELF, ANCHORAGE (via teleconference), favored passage of HB 78. She shared that she worked for the Department of Health under the Alaska State Employees Association (ASEA)/AFSCME Local 52 since 2020. She referenced testimony by Mr. Frost related to retention and turnover. The data provided by Mr. Frost was not what she had experienced in DOH. She deduced that the department had two-thirds less employees since 2020. She relayed that the state was being sued by the federal government due to the large backlog, and the reason was not cyberattacks or outdated equipment as reported but it was a result of being significantly understaffed. She emphasized that people were not staying, and the institutional knowledge was lost. She shared that based on what she had experienced with her coworkers that individuals worked for 5 years and quit. She shared that one Tier 3 coworker who had worked for 30 years would be retiring soon. Everyone else she worked with had been there 5 years or less. She thought it was important to

acknowledge facts and that anecdotal evidence was not the same as hard research, but she wanted to inform the committee that the information cited by the prior testifier's study did not match her work experience.

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DARRELL EVANS, PRESIDENT, ANCHORAGE POLICE DEPARTMENT EMPLOYEES' ASSOCIATION, ANCHORAGE (via teleconference), supported the bill. He shared that he had been a police officer for over 30 years in the state and was a Tier 2 employee. He relayed that when he started the police department had 1,500 to 2,000 applicants for each academy. Currently, they received 130 to 150 applicants per academy resulting in roughly nine new officers on the street in the fall in Anchorage, however, by the end of June 10 officers would leave or retire. He stressed that the department could not keep up with attrition. There were over 60 vacancies presently. He noted the many factors for the difficulties in attracting recruits. However, he believed that one factor under the state's control was to provide financial security for public safety retirees. He delineated that the bill for the cost of training new officers was well over \$200,000. Anchorage was losing police to the lower 48 states; they moved to another state for a DB plan with the benefit to their new employer of being trained by Alaska. He relayed a story from professional experience about how difficult it was for a single officer to survive on the Tier IV plan. He pointed to the volatility in the stock market in the past couple of weeks and was grateful for his pension. He spoke with his officers who shared that they wanted a pension. He addressed Mr. Frost's statements and data. He guessed that Mr. Frost did not live or work in Alaska. He argued that Alaska should not be content with being on par with national averages. He believed that Alaska should look to surpass other states in recruitment and retention.

Co-Chair Josephson thanked Mr. Evans for his testimony and believed his testimony was compelling. Mr. Evans thanked the committee.

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TRACI SANDERS, SELF, WASILLA (via teleconference), spoke in support of the bill. She shared that she was a Tier 3 educator and taught financial literacy classes. She communicated that she had numerous conversations with tier

3 educators who felt uncomfortable investing in the stock market on their own. She discussed that many teachers pay a 1 percent fee to have a financial professional manage their savings and the effects of the compounded costs of the fee over time on their savings. Teachers were better able to perform for students without the financial stress and worry over their retirement funds. She suggested that employees could be given the choice of a DB or DC retirement plan. The DB plan supported many desirable goals like recruitment, retention, and competent job candidates. She believed that many teachers would welcome the return of the shared risk DB plan. She asked the committee to consider the two resolutions by the Alaska Retirement Management Board (ARMB) regarding the Tier 3 healthcare component. She noted that it was not addressed in the bill.

Representative Stapp asked for clarity on the resolutions. Ms. Sanders answered that the first resolution addressed the requirement that an employee must work 12 months prior to reaching Medicare age to access their healthcare benefits with at least 10 vested years. The resolution wanted to eliminate the 12 month mandate. She furthered that the second resolution reduced the highest years for medical eligibility from 30 years to 25 years. She recalled that the actions would barely increase contributions from employers to less than half a percent.

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DONNA PHILLIPS, ALASKA NURSES ASSOCIATION, GIRWOOD (via teleconference), testified in support of the bill. She shared that she was a registered nurse and was recently retired. She spoke to the cost of training hospital and public health nurses. She believed that it would increase recruitment and retention and retain institutional knowledge.

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KATHLEEN YERBICH, SELF, WASILLA (via teleconference), spoke in support of the bill. She shared that she was a teacher and that she came to teaching later in life and had assumed she would have a retirement. She had learned early on that was not the case. She did not mind working hard but found it very difficult to manage a 401K. She discovered that the proposed plan was a shared risk plan; the employee, employer, and state shared the burden. She believed

teachers should get a good retirement. She thought the system in the bill was fair. She thanked the committee.

3:04:03 PM

MARGE STONEKING, ADVOCACY DIRECTOR, AMERICAN ASSOCIATION OF RETIRED PERSONS (AARP) ALASKA, ANCHORAGE (via teleconference), testified in support of the legislation. She stated that older Alaskans deserved to retire with independence and dignity. She commented that all individuals of all ages were faced with a crisis where the goal of achieving an adequate retirement was more difficult. She indicated that DB plans increased retirement security and reduced the reliance on social safety nets. A National Institute of Retirement Security found that older households without a pension were 9 times more likely to live in poverty. Without a DB plan, more Alaskan public employees may come to rely on public assistance. She believed that the lack of a DB plan put the state at a significant disadvantage in terms of recruitment and retention and maintaining a qualified work force. She stressed that DB plans were the norm for people working in public service.

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LINDSAY LAYLAND, SELF, DILLINGHAM (via teleconference), favored the legislation. She shared that she was a first year teacher and there was no major incentive for her to remain in the job after five years because there was no guaranteed pension. She was born, raised, and educated in Alaska and was teaching in her hometown. She was frustrated by the situation. She thought it would be too difficult to stick with teaching in Alaska. She could get a better job and retirement with other employers in her community. She observed "tremendous teacher turnover" due to the current retirement program. She was hopeful the legislature and governor saw the value in education and in retaining high quality home grown teachers. She emphasized that it was particularly challenging to be in education. She thanked the committee.

3:10:09 PM

VICTORIA VINSON, SELF, WASILLA (via teleconference), spoke in strong support for the legislation. She shared that she was a Local 52 union member and state employee with one year of service and a long road to retirement. She stated

that the change could have a direct impact on her future and the future of many others. She believed that a DB system would give her piece of mind that she would be able to retire with dignity and stability after a long career. The current plan had no retirement guarantees due to market volatility. She was a dedicated hard worker who loved her job and working for the state. She wondered if the committee members would advise a young person at the beginning of their career to remain in the state with the existing DC plan. She believed that adopting a DB plan was about keeping dedicated and experienced workers in community offices, and about supporting fellow Alaskans by providing critical services. She strongly felt that it would improve recruitment and retention, despite the prior statements from Mr. Frost. She asked the committee to support the bill.

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SHANE SERRANO, SELF, ANCHORAGE (via teleconference), supported the bill. He shared that he was lucky to be a state employee for over 25 years. He maintained that current DC employees should not have to rely on luck for their retirement. He observed a far greater than 20 percent turnover in his work section and often some were in the most critical and challenging jobs. Employees in those jobs could easily find work in the private sector. He asserted that lacking any incentive beyond the first five years of work, the state was effectively incentivizing employees to leave the state and subsidizing other states. He offered that he worked in law enforcement for the state and there were many technical jobs that took years for a person to be trained. He did not believe a DB plan would cost the state much more especially when factoring in healthier communities and other benefits when the state retained and employed qualified people. He expressed his strong support of the bill. He commented that the bill would not benefit him personally, but he wanted to speak for all of the qualified employees he trained, and he witnessed in sadness leaving the state after 5 years for a DB job.

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CINDY SPANYERS, SELF, JUNEAU (via teleconference), testified in support of the legislation. She was a DB retiree and was grateful for her retirement benefits. She believed the state had an obligation to ensure current

public servants had a retirement benefit. Her work with a public employee labor union post-retirement put her in touch with countless employees hired after 2006 who had learned they had much less for retirement. She observed that their accounts were difficult to understand, and financial growth was slow. Recruitment and retention had become almost a crisis in the state due to the outmigration of younger Alaskans, including her 27 year old son. There were uncertainties with savings and the current stock market plunge added to uncertainty and fear. The markets dropped substantially in 2008 and 2009 causing participants to lose substantial sums; however, the DC participants lost far more. She shared that April 4 [1968] was the day Dr. Martin Luther King was assassinated and she reflected on his words regarding the labor movement bringing hope and progress. She emphasized that DB pensions helped provide economic stability in her life and in the community through retiree spending and philanthropy. She maintained that the next generation of public sector employees deserved a retirement.

[3:19:56 PM](#)

KEN HUCKABE, SELF, WASILLA (via teleconference), spoke in opposition to the bill. He voiced that the market was in a free fall and the price of oil was at \$60 per barrel. He discussed the high costs of the retirement plan and believed it put a cost on all Alaskans. He suggested an amendment making benefits calculated on base pay and consider extending service requirements. He felt that it was embarrassing for educators to refer to themselves as public servants and stressed that they were public employees. He thought that the state was setting themselves up for more problems in the future. He felt that it did not appear the state could afford to pay for the bill in the future.. He emphasized that private sector employees could not afford to retire. He was strongly opposed to the bill.

[3:23:29 PM](#)

JUSTIN LACOSS, MATSU EDUCATION ASSOCIATION, PALMER (via teleconference), testified in strong support for the bill. He voiced that Alaska was facing a significant staffing crisis and especially in education and public safety with high employee turnover and recruitment challenges. He believed that solving the challenges was "paramount" for the ability to provide quality state services Alaskans

depended on. Instituting HB 78 with a shared risk component was crucial in mitigating the crisis. Research demonstrated that DB plans significantly reduced employee turnover and fostered a more stable experienced workforce. He acknowledged the startup costs but wanted them carefully weighed against the sustained benefits of the bill. He related that estimates presented in the Senate Finance Committee showed potential cost savings of \$76 million annually from reduced turnover. The data did not account for direct employee contributions savings or the significant indirect economic benefits of improved public services attracting investment and fostering improvements in the quality of teaching and public safety. He believed that the plan was a tangible solution to state's current employment issues. He thanked the committee.

[3:26:16 PM](#)

JULIA INGA, SELF, PALMER (via teleconference), opposed the legislation. She believed that the bill was not affordable.

[3:26:35 PM](#)

WILLY KEPPEL, SELF, QUINHAGAK (via teleconference), opposed the bill. He stated that the House Finance Committee passed a budget with a \$1.9 billion deficit the previous day. He stated that the bill meant the funds would be taken from the poorest Alaskans in the form of a reduced Permanent Fund Dividend (PFD). He suggested paying the full PFD. He stated that the "regular folks" outnumbered union members by over 650 thousand people in the state. He reminded the committee the unfunded liability for the DB plan was \$7 million. He supported increasing DC contributions and putting all employees back into Social Security. He voiced that everyone was having a hard time retiring and the state should consider equal treatment for Alaska's greatest numbers. He wondered where the state would come up with the funding to pay for the bill.

[3:29:32 PM](#)

KEN GRIFFIN, SELF, WASILLA (via teleconference), did not support the bill. He stressed that the state did not have the money for another DB plan. He expressed his frustration and believed that the bill was a "moral hazard." He thought that the proposal was "irresponsible" with the people's money. He believed that it was not the state's job to take

care of people's retirement. He knew many people who were doing fine managing their retirement on their own. He stated the main reason people were leaving was that the state was funding government and passing a bill that would compound the problem. He listened to all of the committees daily. He underscored that the state was completely broke. He pointed out that federal money and savings were not revenue. He did not support growing government. He stated the legislature was not looking out for its citizens. He stressed that if the state wanted to stop people from leaving Alaska it needed to build up its private sector. He wanted the state to act like a Republican conservative state and not a federal enclave. He asked the legislature to choose conservatism.

[3:33:54 PM](#)

KEDDIE JOHNSON, SELF, KENAI (via teleconference), testified in opposition to the bill. He stressed that Alaska was in a budget crisis with a budget shortfall of \$650 million over the next few years due to spending outpacing revenue for years. He mentioned that school districts were grappling with large deficits due to flat state funding, declining enrollments, and less federal money. He believed that it was no time to add more financial risk, which DB plans added to because of payouts regardless of investment performance. He stated that 16 years ago Alaska switched to a 401k style retirement system to avoid financial instability. He supported a dependable retirement system, not one that could spiral out of control and drain the state's funds. He maintained that the cost of DB plans could force more state cuts and was a "tradeoff the state could not afford." He urged the committee to reject the bill.

[3:36:55 PM](#)

LOUIS THEISS, SELF, GIRWOOD (via teleconference), supported the legislation. He shared that he was a senior and worried about adequate police protection, public healthcare, state road safety, teachers, and state workers. He was aware that Alaska was the only state that lacked a DB plan for state employees. He provided an example from personal experience concerning the closing of a trooper station in Girdwood in 2017 resulting in the need to hire Whittier policing paid for by property taxpayers. He thought that it exemplified forfeiting services that

troopers could provide. He wanted the state to be competitive and grow. Without state services, the state would not grow economically. The state had to provide services that attracted people to the state. He thanked the committee.

[3:39:41 PM](#)

JACKIE GOHL, SELF, JUNEAU (via teleconference), spoke in support of the HB 78. She shared that she worked for the Office of Children Services (OCS) for 13 years. She had moved to Alaska as a volunteer with AmeriCorps and had stayed. She was a tier 4 employee and did not have a defined benefit. She had married a person with a DB plan and remained in Alaska specifically because of his DB benefit. She noted that all of her job advancement was predicated on someone leaving the state. When her husband retired, it would likely be the best option for them to take her 401k and move to another state to work; however, if she had a defined benefit, it would make sense for her to remain at work. She referenced other testimony in opposition to the bill. She pointed out that even people calling against the bill were painting a negative picture of working without an adequate retirement. She felt the bill was necessary.

[3:43:00 PM](#)

MANDA GERSHON, SELF, WASILLA (via teleconference), opposed the bill. She shared that she worked part-time for the Mat-Su School district. She stated there used to be a pension in Alaska but ended in 2006 because the state could not afford it. She noted employees in the system were paying 6.75 percent and more for Public Employees' Retirement System and the Teachers Retirement System (TRS). She asked why the bill was being offered when it had not been affordable in the past. She referenced the budget deficit at present and did not think the bill would work. She believed the state's economy needed to be diversified. She remarked that taking the PFD away would mean an increase in welfare. She stressed the state should focus on needs and not on wants. She hoped for business revenue. She thought more teachers and police could be retained if they were paid better and were offered other benefits. She did not believe they needed to be throwing their money at a pension system.

[3:46:21 PM](#)

SETH NIELSEN, SELF, PALMER (via teleconference), spoke in favor of the bill. He shared that he was born and raised in the state and considered himself a conservative. He observed unsustainable turnover in his state job and in his family members' teaching and government services jobs. He reiterated that the turnover was due to skilled people leaving after 5 years to work in the private sector or other states. He understood the budgetary concern and he also was thinking about it. He believed there needed to be new ways of generating revenue in Alaska. He believed that the state botched prospects for a gasline. He did not believe the Permanent Fund should be used for government. He agreed the budget needed to be fixed, but the state also needed to also retain quality employees.

Co-Chair Foster provided the email address for written testimony.

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

Co-Chair Foster reviewed the schedule for the following meeting.

#  
ADJOURNMENT

[3:51:35 PM](#)

The meeting was adjourned at 3:51 p.m.

