

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

April 4, 2025
1:35 p.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Senator Robert Yundt

COMMITTEE CALENDAR

SENATE BILL NO. 132

"An Act relating to insurance; and providing for an effective date."

- MOVED CSSB 132(L&C) OUT OF COMMITTEE

SENATE BILL NO. 11

"An Act relating to flood insurance; relating to property insurance; establishing the Alaska Flood Authority and the Alaska flood insurance fund; and providing for an effective date."

- MOVED SB 11 OUT OF COMMITTEE

SENATE BILL NO. 81

"An Act relating to employer contribution rates in the teachers' retirement system and the Public Employees' Retirement System of Alaska; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 132

SHORT TITLE: OMNIBUS INSURANCE BILL

SPONSOR(S): LABOR & COMMERCE

03/14/25 (S) READ THE FIRST TIME - REFERRALS

03/14/25 (S) L&C, FIN
 03/19/25 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
 03/19/25 (S) Heard & Held
 03/19/25 (S) MINUTE(L&C)
 03/26/25 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
 03/26/25 (S) Heard & Held
 03/26/25 (S) MINUTE(L&C)
 04/02/25 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
 04/02/25 (S) Heard & Held
 04/02/25 (S) MINUTE(L&C)
 04/04/25 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 11

SHORT TITLE: FLOOD INSURANCE

SPONSOR(s): STEDMAN

01/10/25 (S) PREFILE RELEASED 1/10/25
 01/22/25 (S) READ THE FIRST TIME - REFERRALS
 01/22/25 (S) L&C, FIN
 02/10/25 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
 02/10/25 (S) Heard & Held
 02/10/25 (S) MINUTE(L&C)
 02/17/25 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
 02/17/25 (S) Heard & Held
 02/17/25 (S) MINUTE(L&C)
 04/04/25 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 81

SHORT TITLE: PUBLIC EMPLOYER PENSION CONTRIBUTIONS

SPONSOR(s): STEDMAN

01/31/25 (S) READ THE FIRST TIME - REFERRALS
 01/31/25 (S) L&C, FIN
 03/03/25 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
 03/03/25 (S) -- Testimony <Invitation Only> --
 04/04/25 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

KONRAD JACKSON, Staff
 Senator Jesse Bjorkman
 Alaska State Legislature
 Juneau, Alaska

POSITION STATEMENT: Presented a brief recap of SB 132.

LORI WING-HEIER, Director
 Division of Insurance

Anchorage, Alaska

POSITION STATEMENT: Offered an explanation of Amendment 1 to SB 132.

LORI WING-HEIER, Director

Division of Insurance

Anchorage, Alaska

POSITION STATEMENT: Offered an explanation of Amendment 2 to SB 132.

SENATOR BERT STEDMAN, District A

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Sponsor of SB 11.

LORI WING-HEIER, DIRECTOR

Division of Insurance

Anchorage, Alaska

POSITION STATEMENT: Answered questions related to SB 11.

SENATOR BERT STEDMAN, District A

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Sponsor of SB 81.

JOHN RINGSTAD, Council Member

City of Fairbanks

Fairbanks, Alaska

POSITION STATEMENT: Testified in support of SB 81.

LISA PARKER, President

Alaska Municipal League

Soldotna, Alaska

POSITION STATEMENT: Testified with concerns on SB 81.

ACTION NARRATIVE

[1:35:19 PM](#)

CHAIR BJORKMAN called the Senate Labor and Commerce Standing Committee meeting to order at 1:35 p.m. Present at the call to order were Senators Merrick, Gray-Jackson, Dunbar, and Chair Bjorkman.

SB 132-OMNIBUS INSURANCE BILL

[1:36:19 PM](#)

CHAIR BJORKMAN announced the consideration of SENATE BILL NO. 132 "An Act relating to insurance; and providing for an effective date."

[1:37:05 PM](#)

KONRAD JACKSON, Staff, Senator Jesse Bjorkman, Alaska State Legislature, Juneau, Alaska, presented a brief recap of SB 132.

[1:38:01 PM](#)

CHAIR BJORKMAN solicited a motion.

[1:38:03 PM](#)

SENATOR MERRICK moved to adopt Amendment 1, work order 34-LS0415\G.

34-LS0415\G.1
Wallace
4/2/25

A M E N D M E N T 1

OFFERED IN THE SENATE BY SENATOR _____

Page 27, lines 9 - 13:

Delete all material and insert:

"Sec. 21.60.030. Depreciation of labor. In a residential property policy, the valuation of the expense of labor may not be depreciated, except where offered as a stand-alone endorsement that specifically identifies the nontangible items subject to depreciation. An endorsement offered under this section must be an optional coverage and provide a proportionate reduction in premium."

[1:38:07 PM](#)

CHAIR BJORKMAN objected for purposes of discussion.

[1:38:24 PM](#)

LORI WING-HEIER, Director, Division of Insurance, Anchorage, Alaska, offered an explanation of Amendment 1 to SB 132 and stated that the amendment changes the original bill, which prohibited labor depreciation, by creating a compromise. Under the amendment, labor may be depreciated only for residential properties, and only if the insured is provided with a

standalone endorsement. She said this endorsement must clearly show the cost difference between a policy with labor depreciation and one without, giving consumers the choice between a lower-cost policy that includes depreciation or a higher-cost policy without it.

[1:39:33 PM](#)

CHAIR BJORKMAN gave an example if he had a garage that burnt down and had to decide which policy would best address his situation and asked whether the division is confident that consumers would make a well-informed choice about which policy is right for them.

[1:40:13 PM](#)

MS. WING-HEIER replied that the amendment ensures that the standard policy will not allow labor depreciation. Consumers must actively choose an endorsement if they want depreciation for a lower premium. She said agents are required to explain how the endorsement works, what savings it offers, and that labor costs would be depreciated in the event of a claim. The intent is to make sure consumers clearly understand their choice and the two differences.

[1:41:08 PM](#)

CHAIR BJORKMAN removed his objection.

[1:41:14 PM](#)

CHAIR BJORKMAN found no further objection and Amendment 1 was adopted.

[1:41:18 PM](#)

CHAIR BJORKMAN solicited a motion.

[1:41:20 PM](#)

SENATOR MERRICK moved to adopt Amendment 2, work order 34-LS0415\G.

34-LS0415\G.2
Wallace
4/2/25

A M E N D M E N T 2

OFFERED IN THE SENATE

BY SENATOR _____

Page 23, following line 3:

Insert a new bill section to read:

"* Sec. 40. AS 21.36.475(a) is amended to read:

(a) An owner controlled insurance program or a contractor controlled insurance program is subject to both AS 21.39 and AS 21.42, must be approved by the director, and shall be allowed only for a major construction project or a major multi-owner residential construction project. Owner controlled and contractor controlled insurance programs are limited to property insurance as defined in AS 21.12.060 and casualty insurance as defined in AS 21.12.070."

Renumber the following bill sections accordingly.

Page 23, following line 14:

Insert a new bill section to read:

"* Sec. 42. AS 21.36.475(c) is amended by adding a new paragraph to read:

(7) "major multi-owner residential construction project" means a construction project for condominiums, townhouses, cooperative housing developments, or other residential housing involving at least 50 units and three or more property owners with a total cost of \$25,000,000 or more."

Renumber the following bill sections accordingly.

Page 32, line 14:

Delete "sec. 40"

Insert "sec. 41"

Page 32, line 16:

Delete "sec. 42"

Insert "sec. 44"

[1:41:24 PM](#)

CHAIR BJORKMAN objected for purposes of discussion.

[1:41:32 PM](#)

LORI WING-HEIER, Director, Division of Insurance, Anchorage, Alaska, offered an explanation of Amendment 2 to SB 132 and stated that the new amendment adds to AS 21.36.475(a); owner or contractor controlled insurance programs for large multi-owner residential construction projects. The Amendment adds AS 21.36.475(c), which defines such multi-owner residential

construction projects as having at least 50 units, three owners, and a minimum cost of \$25 million.

[1:42:13 PM](#)

SENATOR MERRICK asked how the \$25 million was calculated.

[1:42:17 PM](#)

MS. WING-HEIER replied that the original statute set the threshold for major construction projects at \$50 million, which was considered too high. She said some suggested lowering the threshold to \$5 million, but that was seen as too low. The compromise set the limit at \$25 million, which is the amount included in the endorsement.

[1:43:01 PM](#)

CHAIR BJORKMAN removed his objection.

[1:43:08 PM](#)

SENATOR BJORKMAN found no further objection and Amendment 2 was adopted.

[1:43:55 PM](#)

CHAIR BJORKMAN solicited the will of the committee.

[1:43:58 PM](#)

SENATOR MERRICK moved to report SB 132, work order 34-LS0415\G, as amended, from committee with individual recommendations and attached fiscal note(s).

[1:44:12 PM](#)

CHAIR BJORKMAN found no objection and CSSB 132(L&C) was reported from the Senate Labor and Commerce Standing Committee.

[1:44:26 PM](#)

At ease.

SB 11-FLOOD INSURANCE

[1:46:35 PM](#)

CHAIR BJORKMAN reconvened the meeting and announced the consideration of SENATE BILL NO. 11 "An Act relating to flood insurance; relating to property insurance; establishing the Alaska Flood Authority and the Alaska flood insurance fund; and providing for an effective date."

[1:47:23 PM](#)

SENATOR BERT STEDMAN, District A, Alaska State Legislature, Juneau, Alaska, as sponsor of SB 11, presented a brief recap and stated that this bill proposes creating a state-level flood insurance program to replace FEMA's program. He said FEMA premiums are too high, actual losses in Alaska are low, and FEMA's building restrictions unnecessarily limit shoreline development. He noted that most Alaska communities already have planning commissions capable of regulating construction locally. SB 11 aims to lower costs, expand insurance benefits, and return building control to the state and local level. He said that FEMA is financially strained by heavy risk exposure in other regions, leaving Alaskans subsidizing those areas. He stated his belief that the state is financially strong enough to provide better, more responsive support for its own citizens.

[1:50:16 PM](#)

SENATOR GRAY-JACKSON said she received a letter from the Anchorage Planning Department that said the department would not recommend establishing a public body or authority, as it could encourage or subsidize development in areas with elevated natural hazard risks.

[1:51:04 PM](#)

CHAIR BJORKMAN stated that new flood maps were recently released, and some people have raised concerns because areas shown on the maps have rarely, if ever, experienced flooding. He asked if these maps, or any future flood maps, would affect who is included or excluded from using the new state insurance program.

[1:51:37 PM](#)

SENATOR STEDMAN deferred the question to the Director of the Division of Insurance, Lori Wing-Heir.

[1:51:59 PM](#)

LORI WING-HEIER, DIRECTOR, Division of Insurance, Anchorage, Alaska, answered questions relating to SB 11 and stated that this new legislation would establish an authority that would review flood maps. In some cases, it may adopt federal maps, but in others it could create its own, identifying which properties are truly at risk based on actual flooding history.

[1:53:30 PM](#)

CHAIR BJORKMAN opened public testimony on SB 11; finding none, he closed public testimony.

[1:54:02 PM](#)

CHAIR BJORKMAN solicited the will of the committee.

[1:54:06 PM](#)

SENATOR MERRICK moved to report SB 11, work order 34-LS0134\A, from committee with individual recommendations and attached fiscal note(s).

[1:54:19 PM](#)

CHAIR BJORKMAN found no objection and SB 11 was reported from the Senate Labor and Commerce Standing Committee.

[1:54:33 PM](#)

At ease.

SB 81-PUBLIC EMPLOYER PENSION CONTRIBUTIONS

[1:58:10 PM](#)

CHAIR BJORKMAN reconvened the meeting and announced the consideration of SENATE BILL NO. 81 "An Act relating to employer contribution rates in the teachers' retirement system and the Public Employees' Retirement System of Alaska; and providing for an effective date."

[1:58:41 PM](#)

SENATOR BERT STEDMAN, District A, Alaska State Legislature, Juneau, Alaka, as sponsor presented SB 81:

[Original punctuation provided.]

Senate Bill 81

In 2006, Alaska instituted a new defined contribution retirement tier for employees in both the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS). When the state implemented the new tier IV (PERS) and tier III (TRS) defined contribution retirement plans, it was extremely challenging to determine the individual participant's unfunded liability, with some showing surpluses and some showing deficits. The magnitude of the deficits of several municipal employers were so significant that financial insolvency was apparent. To avoid financial insolvency and potential legal issues for municipalities, the state limited the unfunded liability payment to 22 percent of the total employer payroll.

[2:01:07 PM](#)

SENATOR STEDMAN elaborated on the sponsor statement saying that Fairbanks' unfunded liability once exceeded 100 percent of its payroll, leaving the city unable to pass an insolvency test. Anchorage and many other communities likely would not have survived financially either. He said to address this, liabilities were pooled and capped. Pooling was chosen because some communities appeared to have surpluses while others had large deficits, but these figures varied depending on retiree numbers and ages. He said rather than face years of litigation over who owed what, all communities were combined, ensuring immediate relief for those in serious trouble like Fairbanks, while recognizing that some perceived surpluses were likely deficits.

SENATOR STEDMAN continued reading the sponsor statement for SB 81:

This cap has been in place since 2008. The state is required to meet its employer obligation and to contribute any amount that exceeds 22 percent of payroll for other employers.

SENATOR STEDMAN explained that the 22 percent cap means that if contributions toward the unfunded liability exceed that level, the state covers the excess. The state assumes full liability for TRS, but this provision applies to non-TRS and non-state employees.

Approximately 13 percent of total payroll is allocated to the unfunded liability while the remaining balance is applied to the normal cost of retirement savings for active employees.

SENATOR STEDMAN commented that the normal cost is the yearly expense an employee accrues for retirement benefits. If funded properly each year, there would be no unfunded liability, as contributions would cover payments when the employee retires.

For the past two decades, the unfunded liability has significantly impacted both the participants' and the state's finances. This trend is expected to continue for several more decades. Over the past ten years, the unfunded liability has increased from \$5.3 billion in FY13 to \$5.7 billion in FY23. Despite a total contribution of \$2.5 billion to address this issue,

the unfunded liability has still grown by \$447 million, indicating a troubling trajectory.

To aid in reducing the unfunded liability, the Alaska Retirement Management Board requires the flexibility to adjust the 22 percent contribution rate. This rate could be increased or decreased at the Board's discretion, with municipal employer input, to assist in the state's goal of eliminating the unfunded liability.

SENATOR STEDMAN noted that instead of keeping the 22 percent cap fixed in statute, the proposal would have the retirement management board regularly review and adjust contribution levels with input from all participants. He said currently, about 13 percent of municipal payroll goes to the unfunded liability, limiting funds for services, salaries, or schools. Over a worker's entire career, these payments significantly reduce local resources, and the concern is that this long-term burden is unacceptable without stronger efforts to pay down the debt at both the state and local levels.

[2:07:40 PM](#)

SENATOR STEDMAN moved to slide 2, History of the Unfunded Actuarial Accrued Liability, and stated that this provides a chronological history of events related to the unfunded liability, created as a refresher and to give the committee a background. He said the original target to eliminate the unfunded liability was 2030, but that won't be met, and the issue will continue beyond 2030. Slide 2 also highlights key changes, such as the adoption of the 22 percent cap in 2021.

[2:08:54 PM](#)

SENATOR STEDMAN moved to slide 3, History of the 22 percent Cap:

[Original punctuation provided.]

SB 125 PERS/TRS CONTRIBUTIONS; UNFUNDED LIABILITY

- Established in 2008.
- Created a combined liabilities system for all PERS employers and allocated the unfunded liability to be collectively shared among them.
- Capped the contribution rate for non-state PERS employers at 22 percent of aggregate payroll.

- Applied remaining contributions, after covering the plan's normal cost, to the unfunded liability.
- Obligated the state to pay its 22 percent employer contribution and cover the difference between the 22 percent cap and the annually determined actuarially rate

SENATOR STEDMAN said the 22 percent cap was set high enough to get participants' attention without bankrupting them. What began as roughly 10 percent of aggregate payroll has since grown to about 13 percent. He said over time, these payments have become routine, with little discussion, simply built into budgets. At the state level, the annual cost now exceeds \$200 million for both TRS and PERS combined, showing the scale of the burden.

[2:10:24 PM](#)

SENATOR STEDMAN moved to slide 4, Why the 22 Percent Cap Was Needed:

[Original punctuation provided.]

- Prior to the 22 percent cap, non-state employers made a variety of contributions to reduce their share of the unfunded liability.
- Some employers had previously made additional payments towards reducing their portion of the unfunded liability.
- Others were paying rates below the 22 percent level.
- The deficits of several municipal employers were so substantial that their financial insolvency became apparent

[2:11:22 PM](#)

SENATOR STEDMAN moved to slide 5, PERS Annual Additional State Contribution vs. PERS Unfunded Actuarial Accrued Liability, and explained that the chart shows the state's additional contributions to PERS by year: \$33.9 million in FY23, \$97.7 million in FY22, and \$200 million in FY21. The red line tracks accrued liability, reflecting market fluctuations. He said for TRS, the state assumed full responsibility due to its constitutional obligation for education. However, for municipal employees—such as police, firefighters, sanitation, and library staff, the state did not absorb their unfunded liability, leaving those costs with the municipalities.

[2:12:55 PM](#)

SENATOR STEDMAN moved to slide 6, PERS additional state contributions FY23-FY26, and explained that the chart shows current contributions for FY23-25, with the proposed budget for FY26 at \$79.8 million for PERS alone, not including TRS. He noted that if liability had been addressed 20 years ago, today the state would have about \$80 million more in the budget to tackle major priorities, highlighting the significant impact of these ongoing costs.

[2:13:50 PM](#)

SENATOR DUNBAR noted that the growth in earlier years appears much smaller and asked for an explanation to what drove the sharp increase from FY24 to FY25, and then again from FY25 to FY26. He asked where this money is reflected in the budget and whether it is adjustable or is the contribution an automatic obligation.

[2:14:26 PM](#)

SENATOR STEDMAN replied that the Alaska Retirement Management (ARM) Board sets the contribution rate, currently capped at 22 percent, and the state typically honors that amount using general funds in the operating budget. The legislature rarely debates the unfunded liability; rates are simply calculated by the ARM Board, put in the operating budget, then approved by the governor. He said while short-term fluctuations may be explained by market changes, the lack of improvement over a decade is seen as unacceptable, prompting calls for a new strategy.

[2:15:55 PM](#)

CHAIR BJORKMAN noted that the unfunded liability of the legacy system, which ended nearly 20 years ago, represents the state's obligation to pay pensions and certain health care premiums for retirees not covered by Medicare. He asked how the state would cover future past service costs with current funds if those costs grow so large they exceed the state's ability to pay.

[2:17:03 PM](#)

SENATOR STEDMAN replied that the state faces no risk of insolvency in meeting retirement obligations. Health care is currently overfunded, while pensions are underfunded but not to a level that threatens payroll or retirement payments. He is concerned that the ARM Board's current strategy for addressing the unfunded liability isn't effective. The goal is to raise awareness and explore ways to shorten the payment timeline. Even though this isn't the year to commit major new funds due to

tight finances, the issue should remain a priority for future planning alongside other needs like school funding and maintenance. He emphasized it wouldn't be fair for younger generations to carry this debt for decades.

[2:20:07 PM](#)

CHAIR BJORKMAN asked why the unfunded liability is considered a concern if the state faces no risk of insolvency and can meet all pension and benefit payments over time, instead of treating the accounts as if all the money needs to be on hand immediately.

[2:22:12 PM](#)

SENATOR STEDMAN explained that while annual retirement payments total about \$1 billion, the past service cost payment for FY26 is only \$80 million. A defined benefit plan can't be run on a pay-as-you-go basis, as cash flow would be insufficient when retirees outnumber active workers. Unfunded liabilities arise from factors like overestimated market returns, life expectancy, and other variables in the system. He said the state correctly funds the retirement system each year, including unfunded liability payments, which have never been skipped. Accelerated funding is preferred to avoid passing the debt to future generations. He said the 13 percent contribution toward the unfunded liability, embedded in both state and municipal payrolls, is significantly comparable to combined Social Security contributions. While necessary, the contribution reduces funds available for salaries and other uses, impacting both state and municipal employees.

[2:26:49 PM](#)

CHAIR BJORKMAN asked if the past service cost continues to grow, at what point will there be so many retirees and so few active contributors that the system faces a financial shortfall or is unable to meet payroll obligations.

[2:27:14 PM](#)

SENATOR STEDMAN emphasized that the state and municipalities are not at risk of running short on pension, healthcare, or retirement payments; any cash flow issues would be minor and temporary. He said data shows that assets and liabilities are still growing, with retiree numbers increasing, but these trends will stabilize over several decades as older retirees pass away. He said the concern is not immediate solvency but the slow reduction of the unfunded liability. He urged the committee to question the ARM Board's approach, noting that 10 years of payments have not meaningfully reduced the liability, and

adjusting the 22 percent rate to address the issue without burdening municipalities. The goal is to resolve long-standing obligations from past decades rather than letting them persist indefinitely.

[2:29:31 PM](#)

CHAIR BJORKMAN emphasized the need to ensure the state can reliably meet its payment obligations each month and year. He asked if the state will not default on payments or face insolvency, he wants to understand what that means in practical terms.

SENATOR STEDMAN replied that the state doesn't want to ever stop making the payments.

SENATOR BJORKMAN agreed and said he wasn't suggesting that.

SENATOR STEDMAN said the retirement system is sound with no risk of insolvency. The real issue is reducing or eventually eliminating the unfunded liability so that future generations don't have to deal with it.

[2:31:05 PM](#)

SENATOR STEDMAN moved to slide 7, TRS Annual Additional State Contribution vs. TRS Unfunded Actuarial Accrued Liability, and explained that State's contributions to the retirement system (TRS) fluctuate, with \$91 million in 2023, \$42 million in 2024, and \$135 million the following year. The unfunded liability has declined to under \$2 billion, compared to \$3 billion a few years ago. He said a major reduction came in 2015 when the legislature added \$3 billion: \$2 billion to TRS and \$1 billion to PERS, which was a smart move. He wished more had been contributed, since the state had billions in savings at the time. A larger deposit could have further reduced liabilities and lowered future payments, leaving the state in a much stronger position today.

[2:32:50 PM](#)

SENATOR STEDMAN moved to slide 8, Combined PERS & TRS Additional State Contribution vs. Combined Unfunded Actuarial Accrued Liability and explained that he combined PERS and TRS figures to show the scale of state contributions: about \$338 million in 2021, \$240 million in 2022, and \$125 million in 2023. These are large amounts that often go unnoticed because they are simply paid without much discussion. He said the concern is that despite these sizable payments, the overall liability isn't shrinking. After a decade of contributions, he wants to

understand why there hasn't been meaningful progress in reducing the unfunded liability.

[2:33:57 PM](#)

SENATOR DUNBAR praised the Legislature's 2015 decision to put extra money into the retirement system, calling it a smart investment and wishing today's surpluses still allowed for similar action. He pointed out a drop in actuarial accrued liability in 2021 during the COVID year and asked what caused that dip.

[2:34:29 PM](#)

SENATOR STEDMAN replied that the dip in 2021 was driven by financial market performance, strong gains followed by a COVID related selloff. He said as the portfolio grows, liabilities decrease, assuming all other factors remain constant.

SENATOR DUNBAR said the dip might have been due to actuarial assumptions about lifespan or a large group passing away, but it was driven by financial market performance.

SENATOR STEDMAN replied that the main factor was financial markets, though life expectancy tables are updated every so often. In the past, delays in updating those tables contributed to problems.

SENATOR DUNBAR asked whether the recent market sell-off and the possibility of a deep recession this summer would affect the chart.

SENATOR STEDMAN replied that if assets decline, liabilities rise. While market fluctuations affect the numbers, smoothing and averaging techniques with the numbers help manage the impact. He said a significant sell-off could increase the unfunded liability, but the system is designed to withstand typical market ups and downs.

[2:36:42 PM](#)

SENATOR STEDMAN moved to slide 9, GOAL: Reduce the Unfunded Liability, and stated that over the past two decades, unfunded liability has had a significant impact on both employer and state finances due to required contributions. SB 81 would remove the statutory cap, though the 22 percent rate would likely remain. This change gives the ARM Board more flexibility and encourages discussion, addressing an issue that often quietly affects financial statements.

[2:39:01 PM](#)

CHAIR BJORKMAN opened public testimony on SB 81.

[2:40:08 PM](#)

JOHN RINGSTAD, Council Member, City of Fairbanks, Fairbanks, Alaska, testified in support of SB 81 and backing efforts to address the unfunded liability to prevent it from worsening and to find a path toward improvement, noting the state is heading in the wrong direction again. However, he is concerned that SB 81, as written, could cost the city over a million dollars annually with no municipal control, which is difficult for the city to accept. He recalled past difficulties with municipal finances due to large unfunded liabilities and emphasized that municipalities have little control over ARM Board projections, which the legislature then funds. He stressed the importance of including municipalities in discussions to ensure transparency and informed decision-making. He warned against creating another long-term, generational unfunded liability, advocating for a balanced approach that avoids repeating past mistakes.

[2:44:06 PM](#)

LISA PARKER, President, Alaska Municipal League, Soldotna, Alaska, testified with concerns on SB 81 and stated that the proposed removal of the 22 percent cap on employer contributions to PERS, while intended to address the system's unfunded liability, would shift the full actuarial burden onto local governments without any transition support. She said this could have immediate and severe impacts, especially for smaller or revenue-limited municipalities, forcing unpredictable and rising costs. Potential consequences include deep cuts to essential services, layoffs, hiring freezes, delayed infrastructure projects, and tax increases, disproportionately affecting economically vulnerable residents. She said rural communities would face particularly difficult choices. Higher costs could also undermine the recruitment and retention of qualified public employees. She urged considering amendments that provide a gradual transition, revenue relief, or broader pension reforms to protect local governments.

[2:46:53 PM](#)

CHAIR BJORKMAN closed public testimony on SB 81.

[2:47:08 PM](#)

SENATOR STEDMAN clarified that SB 81 would remove the 22 percent cap, but it wouldn't set a higher rate, the ARM Board would still determine contributions, and it's unlikely the board would raise the cap above 22 percent. He said removing the cap would

encourage discussion about the unfunded liability and bring municipalities, like Fairbanks, to the table for dialogue on solutions. While municipalities might prefer keeping contributions effectively at 22 percent, the change is intended to foster collaboration, possibly including state assistance or adjusted payments over time, not to push local governments toward insolvency.

[2:48:44 PM](#)

CHAIR BJORKMAN asked whether under the current system the ARM Board, working with PERS contributors, can make additional "principal" payments toward the past service cost during a market downturn to maximize future investment returns.

[2:49:12 PM](#)

SENATOR STEDMAN replied that additional contributions toward the past service cost could be made at any time, but typically only the required 22 percent is paid. Market downturns are smoothed in the analysis, like the Permanent Fund, and over time, despite cycles of bear and bull markets, the general trend is upward if the economy grows.

[2:50:09 PM](#)

CHAIR BJORKMAN held SB 81 in committee.

[2:50:31 PM](#)

There being no further business to come before the committee, Chair Bjorkman adjourned the Senate Labor and Commerce Standing Committee meeting at 2:50 p.m.