

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE
JANUARY 23, 2026
1:32 P.M.

MEMBERS PRESENT

Senator Jesse Bjorkman, Chair
Senator Kelly Merrick, Vice Chair
Senator Elvi Gray-Jackson
Senator Robert Yundt

MEMBERS ABSENT

Senator Forrest Dunbar

OTHER LEGISLATORS PRESENT

Senator Giessel

COMMITTEE CALENDAR

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 78(FIN) AM(EFD FLD)
"An Act relating to the public employees' retirement system and the teachers' retirement system; and providing certain employees an opportunity to choose between the defined benefit and defined contribution plans of the public employees' retirement system and the teachers' retirement system."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 78

SHORT TITLE: RETIREMENT SYSTEMS; DEFINED BENEFIT OPT.

SPONSOR(s): FINANCE

01/31/25	(H)	READ THE FIRST TIME - REFERRALS
01/31/25	(H)	FIN
02/10/25	(H)	FIN AT 1:30 PM ADAMS 519
02/10/25	(H)	Heard & Held
02/10/25	(H)	MINUTE(FIN)
02/11/25	(H)	FIN AT 1:30 PM ADAMS 519
02/11/25	(H)	Heard & Held
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02/18/25	(H)	FIN AT 1:30 PM ADAMS 519
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02/27/25	(H)	FIN AT 1:30 PM ADAMS 519
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04/02/25	(H)	FIN AT 1:30 PM ADAMS 519
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04/30/25	(H)	FIN AT 1:30 PM ADAMS 519
04/30/25	(H)	Heard & Held
04/30/25	(H)	MINUTE(FIN)
05/07/25	(H)	FIN AT 1:30 PM ADAMS 519
05/07/25	(H)	Moved CSHB 78(FIN) Out of Committee
05/07/25	(H)	MINUTE(FIN)
05/09/25	(H)	FIN RPT CS(FIN) NEW TITLE 6DP 3DNP 2AM
05/09/25	(H)	DP: HANNAN, GALVIN, JIMMIE, FOSTER, JOSEPHSON, SCHRAGE
05/09/25	(H)	DNP: JOHNSON, ALLARD, TOMASZEWSKI
05/09/25	(H)	AM: BYNUM, STAPP
05/10/25	(H)	DIVIDE THE AMENDMENT FAILED Y15 N23 E2
05/12/25	(H)	SUSTAINED RULING OF CHAIR Y21 N19
05/12/25	(H)	TRANSMITTED TO (S)
05/12/25	(H)	VERSION: CSHB 78(FIN) AM(EFD FLD)
05/13/25	(S)	READ THE FIRST TIME - REFERRALS
05/13/25	(S)	L&C, FIN
01/23/26	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

REPRESENTATIVE CHUCK KOPP, District 10
 Alaska State Legislature
 Juneau, Alaska

POSITION STATEMENT: Introduced HB 78 on behalf of the House Finance Committee.

ACTION NARRATIVE

1:32:05 PM

CHAIR BJORKMAN called the Senate Labor and Commerce Standing Committee meeting to order at 1:32 p.m. Present at the call to

order were Senators Merrick, Gray-Jackson, Yundt and Chair Bjorkman.

HB 78-RETIREMENT SYSTEMS; DEFINED BENEFIT OPT.

[1:33:46 PM](#)

CHAIR BJORKMAN announced the consideration of CS FOR HOUSE BILL NO. 78(FIN) am (efd fld) "An Act relating to the public employees' retirement system and the teachers' retirement system; and providing certain employees an opportunity to choose between the defined benefit and defined contribution plans of the public employees' retirement system and the teachers' retirement system."

[1:34:29 PM](#)

REPRESENTATIVE CHUCK KOPP, District 10, Alaska State Legislature, Juneau, Alaska, introduced HB 78 on behalf of the House Finance Committee. He described the proposal as an emergency fiscal response to statewide conditions that are threatening Alaska's ability to deliver critical public services. He emphasized that state agencies must be competitive and reliable. He argued that this requires transformative, structural reform of the retirement system—beyond adjustments to pay and benefits—to prevent agencies from being hollowed out.

[1:35:48 PM](#)

REPRESENTATIVE KOPP moved to slide 2, Ongoing State Headlines, and stated that the current system is driving persistent statewide service-delivery problems across public safety, education, and emergency services. State commissioners consistently identify recruitment and retention as their top concern, describing the issue as systemic and marked by an inability to retain experienced staff. He said after adding funding and positions, high turnover continues and has contributed to costly compliance failures in public-assistance programs.

[1:37:08 PM](#)

REPRESENTATIVE KOPP moved to slide 3, Public Service Agencies, and highlighted the breadth of state agencies responsible for service delivery statewide. He emphasized pride in the public workforce, which supports critical functions from infrastructure to natural resource permitting. A recent state audit shows a sharp increase in significant financial and compliance errors. The number of errors rose from 30-35 historically to 80 to 90. The audit attributed the errors to hundreds of millions of dollars in losses, including a missed federal reimbursement of nearly \$280 million. The state auditor, Kris Curtis, attributes

these failures to high staff turnover, lack of experienced personnel, and constant retraining, creating serious compliance risks and financial liabilities for the state.

[1:39:47 PM](#)

REPRESENTATIVE KOPP moved to slide 4, How Did We Get Here, and stated that Alaska's defined benefit (DB) pension system was well funded prior to 2006, but flawed actuarial advice from Mercer led the state to significantly under-contribute. Mercer's failure to disclose created billions of dollars in long-term liability causing the state to shift to a defined contribution-only system. He said in response, the state shifted to a defined contribution-only system He asserted the change to a defined-contribution system was due to bad advice and not an inherently unsustainable pension model. Since then, Alaska has strengthened actuarial oversight, and fear of past errors should not prevent adoption of a modern, shared-risk retirement system that actuaries say would not generate new unfunded liabilities.

[1:42:33 PM](#)

REPRESENTATIVE KOPP moved to slide 5, Legacy DB System PERS and TRS Funded Ratio, and read the following:

[Original punctuation provided.]

Legacy DB System PERS & TRS Funded Ratio

Gallagher Actuarial Valuation Report (June 2025)

- 2025 Legacy DB Funding
- TRs- funded at 80 percent
- PERS- funded at 70 percent

REPRESENTATIVE KOPP noted that in 2014, TRS was at 48 percent and PERS was at 54 percent. The decisions made by the state within the legacy system, which is past service cost, is on track to be 100 percent funded by 2039.

Dept. of Revenue Treasury Investment Result Summary

Alaska Retirement Management Board Fund Returns (Dec. 2025)

- 11 percent market return & 9 percent actuarial return for FY25 exceeded benchmark of 7.25 percent expected return
- Resulting in \$2b in excess returns over the past ten years.
- Total nominal gains for 2025 were \$1.2b.

[1:45:00 PM](#)

REPRESENTATIVE KOPP moved to slides 6-7, The Cost of Doing Nothing, and referenced the chart. He stated that service disruptions impose major costs on the state through premium pay, errors, training expenses, and high employee turnover. Premium pay rose from \$83 million in FY20 to nearly \$150 million in FY25 and is on pace to exceed \$200 million this year. He said these costs exceed the projected investment in a new pension plan designed to improve retention and reduce staffing instability.

[1:47:18 PM](#)

REPRESENTATIVE KOPP moved to slide 8, Alaska Workforce Profile 2025, and referenced the pie chart. He said the workforce profile shows severe turnover. He stated that about half of the employees are in the one-to-four-year tenure range with far fewer staying long-term and filling senior positions.

[1:47:44 PM](#)

REPRESENTATIVE KOPP moved to slide 9, Alaska Retirement Management Board and read the following:

[Original punctuation provided.]

PERS & TRS Comprehensive Financial Report for the twelve months ending June 30, 2025

-TOTAL DC PERS AND TRS WITHDRAWALS exceeded \$160 million

-TOTAL DC PERS AND TRS WITHDRAWALS including the Supplemental Annuity and the Deferred Compensation Plan was nearly \$500 million

-90 percent of these withdrawals came after 5 years of service or 100 percent vested

REPRESENTATIVE KOPP noted that after five years, employees can cash out both contributions and leave public service, often permanently. This creates a "cash-and-go" system that discourages long-term commitment, community investment, and workforce stability.

[1:48:56 PM](#)

REPRESENTATIVE KOPP moved to slide 10, Decline in Full-Time State Agency positions, and explained the line graph. He said the graph shows a long-term decline in full-time state positions. He said short-term gains from bonuses were unsustainable, and staffing fell again. DOT is especially

impacted, with a 24.5 percent vacancy rate and difficulty competing for engineers, limiting road and bridge delivery.

[1:50:19 PM](#)

REPRESENTATIVE KOPP moved to slide 11, Do We Want Alaska to be Competitive Again, and stated that the question is whether Alaska wants to be competitive again in attracting and retaining talent. State jobs are no longer competitive nationally, especially as Alaska lacks pensions for teachers and public safety and does not offer Social Security. He said this creates strong disincentives for long-term service. HB 78 is presented as an emergency fiscal response that would be revenue positive, stabilize the workforce, and prevent further loss of talent and service capacity.

[1:51:53 PM](#)

REPRESENTATIVE KOPP moved to slide 12, A Proposed Solution, and read the following:

[Original punctuation provided.]

- A NEW Competitive and Responsible Retirement Plan
- Shared Risk with safeguards to prevent underfunding
- A Strategic Investment in Alaska's workforce
- Builds on Best Practices of other states
- Ensures system will Remain Solvent

[1:52:28 PM](#)

REPRESENTATIVE KOPP moved to slide 13, HB 78 Structure: Employee Contribution, and paraphrased the following:

[Original punctuation provided.]

EMPLOYEE CONTRIBUTION

PERS & TRS

8-12 percent adjustable by ARM Board based on
90 Percent trust fund valuation

Employees share the risk contributing more during poor
market returns

[1:53:24 PM](#)

REPRESENTATIVE KOPP moved to slide 14, HB 78 Structure: Employee Contribution, and shared a slide that lists the states that have 8-10 percent employee contribution. He said this proposal suggests up to 12 percent. These states average over 80 percent funded status, about 85 percent, with some exceeding 100

percent, including Wisconsin. These practices are proven to work.

[1:53:59 PM](#)

REPRESENTATIVE KOPP moved to slide 15, HB 78 Structure: Employer Contribution and stated that PERS employers are capped at 22 percent of payroll, about \$440 million statewide, while TRS is capped at 12.56 percent, with each 1 percent equal to about \$20 million. HB 78 does not raise these caps. It sets a 12 percent floor, based on actuarial costs after legacy debt is paid off in 2039: 10.05 percent for PERS and 9.5 percent for TRS. He said this would provide immediate relief to local governments and long-term savings of \$300-\$400 million per year, making action now far less costly than waiting until 2039.

[1:56:25 PM](#)

REPRESENTATIVE KOPP moved to slide 16, HB 78 Structure: Vesting and read the following:

[Original punctuation provided.]

5 years for PERS and TRS

PERS consistent with prior DB Tier 3

Aligns PERS and TRS

REPRESENTATIVE KOPP stated that previously, teachers vested after eight years. This proposal aligns TRS with PERS by setting vesting at five years, improving fairness and consistency across systems.

[1:56:58 PM](#)

REPRESENTATIVE KOPP moved to slide 17, HB 78 Structure: Qualification for Retirement, paraphrased the following:

[Original punctuation provided.]

TRS & PERS (non-public safety)

Age 60 w/5 years of service

or

30 years of service

PERS Public Safety

Age 50 w/25 years of service

or

Age 55 w/20 years of service

[1:58:06 PM](#)

REPRESENTATIVE KOPP moved to slide 18, HB 78 Structure: Retirees "Skin in the Game," and stated that this plan does not restore the old cost-of-living allowance, which provided a 10 percent pension increase at age 65. That benefit was eliminated because it was costly, and its removal saved the plan hundreds of millions of dollars.

[1:58:35 PM](#)

REPRESENTATIVE KOPP moved to slide 19, HB 78 Structure: Post Retirement Pension Adjustments (PRPA), and stated that inflation protection is now tied to market performance; if funding falls below 90 percent, inflation adjustments may be reduced or eliminated to maintain plan solvency, a practice used by well-funded states.

[1:59:14 PM](#)

At ease.

[1:59:54 PM](#)

CHAIR BJORKMAN reconvened the meeting.

[2:00:04 PM](#)

REPRESENTATIVE KOPP continued with slide 19 and stated that inflation adjustments for retirees can be reduced or removed, keeping the plan flat funded. The shared-risk approach, endorsed by actuaries, strengthens the plan, and states that use it maintain well-funded, robust retirement systems.

[2:00:48 PM](#)

CHAIR BJORKMAN asked whether there are there states using similar plans that are not having success.

[2:01:19 PM](#)

REPRESENTATIVE KOPP replied that since 2016, he hasn't seen any shared-risk plan like Alaska's in trouble, most similar plans are 85-100 percent funded. Alaska's plan is unique, with multiple funding triggers, inflation-proofing, and a 90 percent funding lever that adjusts employee and employer contributions to maintain solvency. He said Alaska's actuary, Mr. Kirschner, confirms that these conservative measures make future unfunded liability highly unlikely, making Alaska's plan exceptionally strong and virtually unmatched.

[2:03:30 PM](#)

REPRESENTATIVE KOPP moved to slide 20, Retirement Medical Coverage, and stated that HB 78 removes the requirement to retire directly from the plan to access state supplemental health benefits at 65, making healthcare eligibility more

flexible for employees who don't work continuously. Employees with 10 years of service now qualify for health coverage, while longer service reduces premiums. Public safety employees can access full healthcare after 20 years, with pensions still requiring 25 years. Overfunded health trusts support this approach, and contributions to individual health retirement accounts ensure equity. He said a 3 percent contribution of the average payroll for specific job classes is used to build up individual health retirement accounts for PERS and TRS employees. For public safety employees the contribution is 4 percent.

[2:07:53 PM](#)

SENATOR YUNDT gave an example of a police officer and asked what retirement benefits a police officer receives if they qualify for health insurance after 23 years but do not meet the service requirement for a pension, specifically, whether they leave with only their own contributions and how partial qualification affects the police officer's retirement benefits.

[2:08:26 PM](#)

REPRESENTATIVE KOPP replied that each year of service earns a percentage of base pay, so it is not lost. For example, at 22 years of service, an employee would have accrued roughly 40 percent of their base salary and could draw a pension at age 55 with at least 20 years of service or retire earlier with 25 years. Even if the employee must wait until age 60 to collect, none of the accrued service time is forfeited.

[2:09:45 PM](#)

SENATOR YUNDT stated his understanding that if a person became a trooper at the age of 22 and left service after 20 years the trooper would qualify for full health benefits but would have to wait to age 55 to collect a full pension. He asked how much of a pension the trooper would receive if employed for 25 years.

REPRESENTATIVE KOPP replied that at age 22 and completing 25 years of service a trooper could retire at age 47 and receive a reduced pension. However, the trooper must wait until reaching eligibility, at age 50 or 55, to collect a pension. In this instance there is a wait period between the trooper receiving health benefits and a pension. He said the structure makes HB 78 more affordable. While it would be ideal to allow immediate collection based on accrued benefits, fiscal conservatism requires a minimum waiting period unless the full service requirement is met. For public safety employees, 20 years of service allows collection at 55, and 25 years allows collection at 50.

[2:11:40 PM](#)

CHAIR BJORKMAN asked since the 2021 Metcalf decision, have large numbers of former state employees sought to reclaim Tier I or Tier II pension benefits and would HB 78 have any impact on claims arising from that decision.

[2:12:21 PM](#)

REPRESENTATIVE KOPP replied that HB 78 is entirely separate from the Metcalf decision and has no impact on legacy Tier I or II pensions. The bill creates a new, independent pension and health trust, unconnected to prior liabilities, and actuarial modeling shows no added risk or effect on the 2039 legacy payoff date.

CHAIR BJORKMAN stated that it has been five years since Metcalf and he was curious whether the predicted influx of former employees occurred.

[2:14:16 PM](#)

REPRESENTATIVE KOPP moved to slide 21, Current DC Employee Choice and New Employees, and stated that current defined contribution employees have 180 days to choose to remain in DC or move to the defined benefit plan. During that period, the ARM Board will provide actuarial analyses showing how much DB service their DC account can purchase, aiming for a one-to-one conversion where possible. He said defined benefit plans cost more because they offer lifetime pensions, stronger death and disability benefits, and inflation protection, with conversion value depending on market performance. He stated that new employees are automatically enrolled in the defined benefit plan but may opt into the defined contribution plan. They can make or change that choice at any time during the five-year vesting period.

[2:16:50 PM](#)

SENATOR YUNDT stated his belief that the prior plan failed due to poor funding decisions, not the defined benefit concept itself. He asked whether employees would continue to have the option to choose between DB and DC plans during the five-year vesting period or will everyone be required to use defined benefit plan.

[2:18:03 PM](#)

REPRESENTATIVE KOPP said keeping a permanent choice helps recruit short-term or technical employees who may prefer a defined contribution plan. Others contend that strengthening the defined benefit pool improves long-term stability. He stated that currently, employees have up to five years to choose, after

which they are locked into their selected plan—a policy decision the committee could revisit.

SENATOR YUNDT stated that a five-year choice period is reasonable, especially in a state where many people arrive for short-term opportunities and later choose to stay. He said removing that option could deter talent from coming initially, so maintaining the choice supports recruitment and long-term retention.

[2:20:32 PM](#)

REPRESENTATIVE KOPP moved to slide 22, What are the Actuaries Saying: Additional State Contributions, and explained the last column of the chart. He said over 13 fiscal years, the state would contribute \$467 million above the 22 percent cap for local governments, about \$36 million annually, to support the pension option.

[2:21:18 PM](#)

REPRESENTATIVE KOPP moved to slide 23, What are the Actuaries Saying: PERS State as an Employer Contributions, and stated that for state employees, the total cost is \$687 million over 13 years, about \$53 million annually, bringing the combined annual cost to just over \$80 million. However, the state is already on track to spend over \$200 million this year due to workforce shortages, fines, missed reimbursements, and lost savings estimated at \$76 million annually. Viewed in that context, this is an investment in stabilizing services, and by 2039, when the legacy unfunded liability is paid off, Alaska will be in a much stronger fiscal position.

[2:22:45 PM](#)

REPRESENTATIVE KOPP moved to slides 24 and 25, When Surveyed, and stated that a statewide Patinkin survey of all districts and sectors found nearly 70 percent support for a structured, shared-risk retirement plan, with about 15 percent undecided. The results show broad recognition that the current system needs improvement, particularly given concerns about workforce turnover across Alaska communities.

[2:23:53 PM](#)

REPRESENTATIVE KOPP moved to slide 26, DPS Internal Retirement Survey-March 2024, and stated that an internal Department of Public Safety survey of 458 employees found that 82.6 percent prefer a defined benefit plan. Among current DB members, 97 percent want to remain in DB, and 75.7 percent of DC members would prefer to switch to DB—indicating strong overall support for defined benefits. He referenced slide 23 and said the

actuarial cost estimates assume 100 percent of employees switch to the defined benefit plan, the most expensive scenario. However, actuaries project a more likely 75-80 percent participation rate, meaning actual costs should be lower; the higher figure is provided for full transparency.

[2:25:40 PM](#)

REPRESENTATIVE KOPP moved to slides 27 and 28, The Economic Benefits of HB 78, and stated that this proposal invests in Alaska's economy by reducing turnover, training costs, premium pay, and service disruptions—strengthening essential public services amid increasing demands. An economist, Dr. Teresa Ghilarducci, estimates at least \$76 million annually in savings from improved workforce stability alone.

[2:27:01 PM](#)

REPRESENTATIVE KOPP moved to slide 29, A New Competitive and Responsible Retirement Plan, and stated that the proposed plan is expected to reduce turnover, retain skilled and technical employees, and improve agency performance. Actuaries project it will incentivize retention and help the state meet its workforce and service goals.

[2:28:05 PM](#)

REPRESENTATIVE KOPP stated that HB 78 clarifies two distinct issues: Alaska's legacy pension liability and the cost of future service. The legacy debt stems from tiers closed 20 years ago, is on a fixed amortization schedule, and is projected to be fully paid by 2039—regardless of HB 78. The bill does not add to that debt; it addresses future retirement costs. He said according to the state's actuary, the normal cost under HB 78 would be about 10 percent of payroll for PERS and 9.55 percent for TRS, well below current effective contribution rates. Once the legacy liability is paid off, Alaska would move to a more predictable, lower-cost system. He said maintaining the status quo does not eliminate costs; it prolongs legacy payments while workforce instability, vacancies, and premium pay continue. HB 78 aims to establish an affordable, stable retirement structure that supports long-term workforce retention.

[2:30:23 PM](#)

SENATOR YUNDT stated that life expectancy is rising, which is positive. He appreciated the shared-risk feature, especially since the previous plan did not include it.

[2:30:50 PM](#)

REPRESENTATIVE KOPP replied that all the risk was on the employers.

SENATOR YUNDT said this is a significant improvement, especially as artificial intelligence may extend life expectancy. If funding falls to 90 percent, employee contributions increase from 8 percent to 12 percent; he asked whether any adjustment occurs before reaching 90 percent.

REPRESENTATIVE KOPP replied that the trigger is set at 90 percent because actuaries consider that the gold standard for long-term pension funding—assets covering at least 90 percent of projected liabilities. There is no earlier mechanism; the adjustment activates only when funding falls to 90 percent.

SENATOR YUNDT commented that he encourages reviewing the trigger: dropping to 90 percent would raise employee contributions from 8 percent to 12 percent, a 50 percent increase and a significant hit to paychecks. A gradual increase might preserve the time value of money and avoid sudden adjustments.

[2:32:48 PM](#)

REPRESENTATIVE KOPP mentioned that the state actuary, David Kirschner, said each 0.1 percent increase generates tens of millions of dollars, so any adjustment would likely be small, such as 8 percent to 8.1 percent. He said modeling past market downturns showed the plan never fell to 90 percent, and reaching that level would require a catastrophic event not seen in our lifetimes.

SENATOR YUNDT asked who is reviewing this independently, without a vested interest, and which third-party companies are involved.

REPRESENTATIVE KOPP replied that the state's fiduciary oversight is handled by actuaries, including David Kirschner of Gallagher & Associates, the ARM Board's actuary, and a state-hired third-party pension finance CPA firm.

SENATOR YUNDT asked that information about the actuaries and their work history be given to the committee before the next hearing of the bill to ensure the state is engaging qualified professionals.

[2:35:12 PM](#)

CHAIR BJORKMAN commented that allowing choice for new employees can attract short-term workers, but it weakens the plan's financial strength. Money leaves Alaska instead of staying invested to grow and fund pensions, reducing long-term benefits for employees and overall savings for the state.

2:38:55 PM

CHAIR BJORKMAN held HB 78 in committee.

2:39:17 PM

There being no further business to come before the committee, Chair Bjorkman adjourned the Senate State Affairs Standing Committee meeting at 2:39 p.m.