

**ALASKA STATE LEGISLATURE**  
**SENATE LABOR AND COMMERCE STANDING COMMITTEE**  
**JANUARY 28, 2026**  
**1:32 P.M.**

**MEMBERS PRESENT**

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

**MEMBERS ABSENT**

All members present

**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

SENATE BILL NO. 198

"An Act relating to the teachers' defined contribution retirement plan; relating to the public employees' defined contribution retirement plan; and providing for an effective date."

- 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  
 02/11/25 (H) MINUTE(FIN)  
 02/18/25 (H) FIN AT 1:30 PM ADAMS 519  
 02/18/25 (H) Heard & Held  
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 02/27/25 (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)  
 01/23/26 (S) Heard & Held  
 01/23/26 (S) MINUTE(L&C)  
 01/26/26 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)  
 01/26/26 (S) Heard & Held  
 01/26/26 (S) MINUTE(L&C)  
 01/28/26 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 198

SHORT TITLE: PERS/TRS RETIREMENT & MEDICAL ELIGIBILITY

SPONSOR(s) : KAUFMAN

05/19/25 (S) READ THE FIRST TIME - REFERRALS  
05/19/25 (S) L&C, FIN  
01/28/26 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

**WITNESS REGISTER**

NILS ANDREASSEN, Executive Director  
Alaska Municipal League  
Juneau, Alaska

**POSITION STATEMENT:** Testified with concerns on HB 78.

JOELLE HALL, President  
Alaska American Federation of Labor/Congress of  
Industrial Organizations (AKAFL-CIO)  
Anchorage, Alaska

**POSITION STATEMENT:** Testified by invitation on HB 78.

CHRIS HEIDEMANN, representing self  
Juneau, Alaska

**POSITION STATEMENT:** Testified in support of HB 78.

ZACHARY CHRISTENSEN, Managing Director  
Reason Foundation  
Provo, Utah

**POSITION STATEMENT:** Testified in support of HB 78.

JAYNE ANDREEN, representing self  
Douglas, Alaska

**POSITION STATEMENT:** Testified in support of HB 78.

DOMINIC LOZANO, President  
Alaska Professional Firefighters Association  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of HB 78.

JENNIFER SCHMITZ, Director  
Alaska Educator Retention and Recruitment Center/  
Alaska Council of School Administrators (AERRC/ACSA)  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 78.

HEIDI DRYGAS, Executive Director  
Alaska State Employee Association/American Federation of State,  
County and Municipal Employees (ASEA/AFSCME Local 52)  
Juneau, Alaska

**POSITION STATEMENT:** Testified in support of HB 78.

WILLY KEPPEL, representing self  
Quinhagak, Alaska

**POSITION STATEMENT:** Testified with concerns on HB 78.

Brett Huber  
State Director  
Americans for Prosperity  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 78.

JACKIE HANSON, Superintendent  
Craig City School District  
Craig, Alaska

**POSITION STATEMENT:** Testified in support of HB 78.

MARGE STONEKING, Advocacy Director  
American Association of Retired Persons (AARP) Alaska  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 78.

GORDON GLASER, representing self  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 78.

EMILY MOODY, representing self  
Cordova, Alaska

**POSITION STATEMENT:** Testified in support of HB 78.

ERICA BURR, representing self  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of HB 78.

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

**POSITION STATEMENT:** Answered questions regarding HB 78 on behalf of the sponsor.

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

**POSITION STATEMENT:** Sponsor of SB 198.

EMMA TORKELSON, Staff  
Senator James Kaufman  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Provided the sectional analysis for SB 198.

BOB WILLIAMS, Chair  
Alaska Retirement Management (ARM) Board  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions regarding SB 198.

CHRIS MURRAY, Acting Chief Health Official  
Division of Retirement and Benefits  
Department of Administration  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions regarding SB 198.

CHRIS NOVELL, Chief Financial Officer (CFO)  
Division of Retirement and Benefits  
Department of Administration  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions regarding SB 198.

#### **ACTION NARRATIVE**

[1:32:47 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, Dunbar, 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."

[1:35:00 PM](#)

CHAIR BJORKMAN opened public testimony on HB 78.

[1:35:20 PM](#)

NILS ANDREASSEN, Executive Director, Alaska Municipal League, Juneau, Alaska, testified with concerns on HB 78.

[Original punctuation provided.]

Thank you for this opportunity to provide testimony today. HB 78 has a direct and significant impact on local governments, who as employers are a minority

within PERS but bear the consequence of the State's decision making. This means that for the promise and potential of strengthened recruitment and retention, our members also feel the weight of the net pension liability that accrues when the State doesn't get it right, and a high actuarial rate that limits other kinds of investments that they might make in employees. Yes, the State carries the burden beyond 22 percent - a compromise that acknowledged that local governments had no control for the conditions that created the unfunded liability - but we often talk about how, for many local governments, they can't afford to stay in, nor get out.

With that in mind, AML would like to offer three ways in which this committee could alleviate the challenges that employers face and improve the conditions in our communities.

First, we would encourage you to remove the provision that establishes the 2008 salary floor. This anachronistic measure was intended to stabilize a system in freefall but at this point leaves employers little flexibility to adjust their payroll based on circumstances that have changed in the last 18 years. The effect is that if an employer reduces their payroll below that 2008 number, they continue paying as if they were stuck in time. This would make much more sense as something like 75 percent of a rolling 3-year average. It allows the system to withstand shocks and for employers to adjust based on lost revenue, governmental efficiencies, etc.

Second, there are many reasons for employers to become delinquent in payments, but for those who truly can't afford to remain in, the accrual of payments is considerable and for some insurmountable. Law currently requires these employers to be exited from the program, but this process somehow hasn't been as efficient or effective as it needs to be. Ultimately, what is needed is for a mechanism that more quickly halts accrual, which means the employer stops collecting or being responsible for collecting and remitting soon enough that debt doesn't accrue beyond their means. It could be something like, if an employer falls behind in more than two payrolls it is required to pause participation in PERS until it can remedy the situation. For current delinquencies, they

make up so little from a systems perspective that if you waived - or the State assumed - their liability, it would be better than letting it continue to grow.

1:37:33 PM

NILS ANDREASSEN continued with his testimony of HB 78:

Finally, we understand that termination studies are well-intended from a systems perspective but they are also a barrier to local decision-making. Especially for small employers, whose few employees are likely not going to affect the actuarial rate or net pension liability much at all, the State's actuaries could determine a threshold under which termination studies don't apply. You could give discretion to the department to exit employers who simply can't afford to remain, nor leave at this point, so that they can address their local circumstances without the burden of a liability that would otherwise continue for years to come but without a public benefit within that community.

Thank you again to the bill sponsor for being willing to consider these issues along the way. To reiterate, we're willing to work with you to:

-Remove the salary floor - it doesn't help the system 20 years on

-Allow communities facing delinquency to exit the system, and

-Create an offramp that doesn't always require termination studies.

1:38:52 PM

JOELLE HALL, President, Alaska American Federation of Labor/Congress of Industrial Organizations (AKAFL-CIO), Anchorage, Alaska, testified by invitation on HB 78 and stated that for over 20 years, the Alaska Public Pension Coalition has warned that closing the state's defined benefit pension would harm recruitment and retention. Those concerns have become reality, with high vacancies, workforce turnover, and uncompetitive pay and benefits. She said the current system places no risk on the state but creates poor incentives and undermines workforce stability. A defined benefit plan encourages retention and benefits both employees and the state by supporting effective public services. HB 78 proposes a modern

shared risk-defined benefit system, developed using national best practices, to address these challenges. Lawmakers have tried other solutions without success.

[1:43:01 PM](#)

CHRIS HEIDEMANN, representing self, Juneau, Alaska, testified in support of HB 78 and urged support for restoring a defined benefit pension for public employees. He argued it would significantly improve teacher recruitment and retention. As a TRS III member with nearly 20 years of service, they are only 23 percent toward a retirement goal and would need to work 44 years to reach it. Proposed alternatives like SBS remain inadequate and fail to help long-serving employees. With TRS III and PERS IV members nearing retirement and facing financial insecurity, he stressed that Alaska, currently the only state without a defined benefit option, should restore a defined benefit pension.

[1:45:51 PM](#)

ZACHARY CHRISTENSEN, Managing Director, Reason Foundation, Provo, Utah, testified in support of HB 78 and stated that he supports benefits that attract public workers while remaining affordable and sustainable. He cautioned that HB 78, which would reinstate a defined benefit pension for new employees, could add significant long-term costs. He said his company's actuarial modeling estimates an additional \$1.4 billion over 30 years in a best-case scenario, and up to \$7 billion under more typical investment returns, creating financial risk for future budgets. He noted that Alaska's public employee turnover rate is already lower than the national average, suggesting a defined benefit plan may not significantly improve retention.

[1:49:24 PM](#)

JAYNE ANDREEN, representing self, Douglas, Alaska, testified in support of HB 78 and stated that she was able to retire 11 years ago after 21 years with the State of Alaska, joining in 1994 without prior retirement savings. She said Tier 2 provided a defined benefit pension that created financial security. She said during her career, recruiting and retaining employees grew increasingly difficult as state salaries and benefits lagged behind the private sector after pension changes. She urged support for HB 78 and notes that retirement security allows them to remain in Alaska, volunteer, work, and contribute to the local economy.

[1:51:36 PM](#)

DOMINIC LOZANO, President, Alaska Professional Firefighters Association, Fairbanks, Alaska, testified in support of HB 78

and stated that he first testified in 2005 and has since worked with others to develop a sustainable retirement system for Alaska's workforce. He said HB 78 reflects years of research, modeling, and collaboration with legislators, drawing on best practices from other states. The plan includes features such as minimum retirement ages, required contributions (8 percent from employees and at least 12 percent from employers), and a sliding scale to adjust for market conditions. He said unlike previous systems that placed all risk on employers or employees, HB 78 creates a shared-risk model.

1:55:39 PM

JENNIFER SCHMITZ, Director, Alaska Educator Retention and Recruitment Center/ Alaska Council of School Administrators (AERRC/ACSA), Anchorage, Alaska, testified in support of HB 78 and stated that retention, not recruitment, drives Alaska's main workforce challenge, and retirement security plays a central role. Replacing a teacher costs districts over \$20,000, due to onboarding, mentoring, and lost instructional momentum. She said Alaska also faces high teacher turnover, especially in rural areas, with 729 current vacancies statewide. Surveys of school leaders identify the lack of a defined benefit retirement plan as the primary reason educators leave. She said HB 78 would strengthen retention, reduce costly turnover, and provide students with consistent, experienced teachers.

1:58:25 PM

HEIDI DRYGAS, Executive Director, Alaska State Employee Association/American Federation of State, County and Municipal Employees (ASEA/AFSCME) Local 52, Juneau, Alaska, testified in support of HB 78 and read the following testimony:

[Original punctuation provided.]

My name is Heidi Drygas, and I am Executive Director of the Alaska State Employees Association. Prior to this position, I had a career as a labor attorney and served as Commissioner of Labor and Workforce Development for Governor Bill Walker. More importantly, I am a lifelong Alaskan, the daughter of two proud public servants, and I have witnessed firsthand the deterioration of our state workforce over the past 20 years.

ASEA represents more than 8,000 employees in the general government unit- Alaska's rank and file workers. We are the beating heart of state service. Alaska has seen an unprecedented outmigration of

workers for more than a decade. Growing up here, it was a point of pride to work for the State of Alaska. Fast-forward to the present, and we struggle to recruit and retain workers, and it is taking a toll on those who remain. We are asking more of state employees and giving them less. Some employees are doing the work of two and three, sometimes more, employees. We are losing workers faster than we can replace them. Our wages and retirement system no longer attract and keep workers the way they used to.

The recruitment and retention crisis is costing us real dollars. Fines of over \$16 million from the US Dept of Health due to a persistent, yearslong backlog in the processing of SNAP and Medicaid applications, massive errors in submitting the annual STIP to the US Department of Transportation. A crisis in payroll - we couldn't even pay our own employees on time. These are just some of the most basic of state functions that we are failing to do. And it's simply because we cannot attract workers. The state is paying millions upon millions of dollars in premium pay, and contracting out work to outside firms to stop the bleeding and temporarily fix the problem, while violating contractual agreements in the process.

[2:00:10 PM](#)

MS. DRYGAS continued with her testimony for HB 78:

It's hard to overstate the toll the recruitment and retention crisis has taken on our existing workforce. When I began my tenure at ASEA, I learned quickly the state's response to dealing with the ongoing recruitment and retention crisis is with a patchwork of Letters of Agreement- exceptions to our collective bargaining agreements to address ongoing workforce needs.

I've signed dozens of these agreements: Incentive pay to retain workers, recruitment pay to entice new workers, travel premiums, and overtime pay to employees that are otherwise overtime exempt. Letters of Agreement are useful and necessary tools to address ongoing issues related to the workforce. But these are band aids and should be used sparingly. Instead, letters of agreement, and contracting to outside firms have been the primary tools used to address the crisis. These tools create friction in the workforce,

as issues of disparity and concerns about fairness are commonplace. It's like playing Whack-A-Mole- you sign one of these agreements, and another problem pops up somewhere else, with workers fairly questioning- "Hey, wait a sec- why not me?"

While we negotiated a strong contract for our members last year, wages are still far behind the increases suggested for most classifications by the long-delayed state salary study. And it's not clear if it will be implemented or what the next steps will be.

Pensions for public service will return stability and predictability to our state workforce. Providing defined benefits is how the public sector competes with the private sector for the best and brightest workers. When surveyed, 89 percent of our members support a return to a Defined Benefit Retirement system.

I believe it is possible for Alaska to be a premier place to live and work again. And one of the most important steps we can take is to provide pensions for public service. Alaskans deserve reliability and predictability in the delivery of public services.

[2:02:40 PM](#)

WILLY KEPPEL, representing self, Quinhagak, Alaska, testified with concerns on HB 78 and asked committee members to declare if they accepted campaign contributions from state unions or listed officials. He stated that, during the 2006 pension debate, defined benefits did not improve teacher retention. Based on conversations with teachers in Quinhagak, many prefer portable benefits, higher wages, and access to Social Security. He urged the committee to reject the bill due to potential costs and instead strengthen defined contribution plans and investment returns.

[2:06:17 PM](#)

SENATOR MERRICK directed Mr. Keppel to the Alaska Public Offices Commission website, where he can review campaign expenditures and contributions for any elected official.

[2:06:49 PM](#)

BRETT HUBER, State Director, Americans for Prosperity, Anchorage, Alaska, testified in support of HB 78 and acknowledged the sponsor's effort to address recruitment and retention. He stated that his organization shares concerns

raised by actuaries that poor investment returns could create up to \$7 billion in future liability. The division recognizes workforce challenges yet emphasizes that many younger workers value portable benefits and expect multiple careers. Given these trends and broader labor shortages since COVID, the organization questions whether the recruitment gains justify the potential financial risk.

[2:09:15 PM](#)

JACKIE HANSON, Superintendent, Craig City School District, Craig, Alaska, testified in support of HB 78 and reiterated the testimony of Mr. Heidemann.

[2:11:17 PM](#)

MARGE STONEKING, Advocacy Director, American Association of Retired Persons (AARP) Alaska, Anchorage, Alaska, testified in support of HB 78 and stated that AARP advocates retirement security for older Americans. Research shows households without pensions face poverty at nine times the rate of those with pensions. She said Alaska's lack of defined benefit pensions weakens retirement security for public employees and harms recruitment and retention, which affects public services.

[2:14:12 PM](#)

GORDON GLASER, representing self, Anchorage, Alaska, testified in support of HB 78 and stated that as a long-term state employee, he said the defined benefit pension created a modest and secure life for his family. He noted that the state struggles to hire and retain staff, harming public services. Thousands of employees live decent lives, contribute to their communities, and support families.

[2:16:54 PM](#)

EMILY MOODY, representing self, Cordova, Alaska, testified in support of HB 78. She said the lack of retirement security harms recruitment and retention and forcing educators to leave Alaska. She stated that retirement stability supports public education and protects teachers from poverty after long careers.

[2:20:51 PM](#)

ERICA BURR, representing self, Fairbanks, Alaska, testified in support of HB 78. She emphasized that defined benefits are essential for recruiting and retaining skilled educators who support Alaska's children and communities. She said teacher shortages force districts to hire abroad with potential of less committed teachers. Sustainable, rewarding careers attract and keep talent, ensuring students receive consistent, high-quality

education. She urged investment in people and supports reinstating defined benefits.

[2:23:32 PM](#)

CHAIR BJORKMAN closed public testimony on HB 78.

[2:24:01 PM](#)

CHAIR BJORKMAN noted differing actuarial analyses: those from legislation supporters, neutral state fiduciaries, and groups opposing public employee pensions. He asked Representative Kopp to explain the reasons for these differences and what they entail.

[2:24:39 PM](#)

REPRESENTATIVE CHUCK KOPP, District 10, Alaska State Legislature, Juneau, Alaska, answered questions regarding HB 78 on behalf of the sponsor. He responded that the Reason Foundation lacks actuarial expertise and relies on external entities motivated by 401(k) annuity profits, whereas the state actuary's primary duty is preventing pension liabilities. He noted that the state actuary's 25-year modeling, which accounts for market downturns like 2008, indicates HB 78 poses no realistic risk of new liability. While other contracted actuaries may align with their clients' interests, the state's trusted actuaries confirm that the safeguards within HB 78 make new liabilities highly unlikely.

[2:28:14 PM](#)

CHAIR BJORKMAN asked how HB 78 would affect Alaska's annual cash flow, compared with current practices like Memorandum of Understandings (MOUs), letters of agreement, and overtime, based on the state's actuarial analysis.

REPRESENTATIVE KOPP replied that HB 78 would generate net positive revenue for the state. Actuaries estimate annual costs of about \$80-\$90 million, far below current spending driven by staffing shortages. He said premium pay alone has risen from \$80 million in FY20 to over \$200 million projected this year due to vacancies, overtime, and constant training of new staff. Workforce turnover also causes operational errors, missed federal funding opportunities, and loss of experienced mid-level employees. He concluded that stabilizing the workforce through HB 78 would reduce these costs.

[2:31:49 PM](#)

CHAIR BJORKMAN held HB 78 in committee.

[2:31:55 PM](#)

At ease.

**SB 198-PERS/TRS RETIREMENT & MEDICAL ELIGIBILITY**

[2:34:16 PM](#)

CHAIR BJORKMAN reconvened the meeting and announced the consideration of SENATE BILL NO. 198 "An Act relating to the teachers' defined contribution retirement plan; relating to the public employees' defined contribution retirement plan; and providing for an effective date."

[2:34:49 PM](#)

SENATOR JAMES KAUFMAN, District F, Alaska State Legislature, Juneau, Alaska, sponsor of SB 198 read the following:

[Original punctuation provided.]

The bill before you addresses two issues with the medical benefits our defined contribution employees receive when they retire.

Our current system lacks important flexibility, penalizing employees who have dedicated their career to public service.

The specifics of this bill mirror the March 2025 recommendations of the Alaska Retirement Management Board. You'll find their two resolutions in your bill packet.

Specifically, this bill applies to public employees in PERS Tier 4 and teachers in TRS Tier 3. These are employees who were hired beginning July 1, 2006.

**(Background on years of service)**

For some background, when an eligible defined contribution employee retires, they can access the Retiree Major Medical Insurance Plan and the Health Reimbursement Arrangement.

To do so, current statute requires they work 30 years (and 25 years as a peace officer or firefighter).

Alternatively, if an employee reaches Medicare age after working 10 years they qualify for the benefits. The funds that support both the PERS and TRS DC healthcare plans are overfunded. PERS is at 121 percent and TRS is at 136 percent.

Based on actuarial analysis, the ARM board found that the years of service required could be reduced while keeping the funds overfunded.

**(Amending years of service)**

So, taking one of the options recommended by the ARM board, SB 198 reduces the years of service required by 5 years.

So public employees/teachers work 25 years and peace officers/firefighters work 20 years to be eligible for health benefits.

Employee contributions are slightly increased, and the surplus more than covers the new liability.

This way, we are able to improve our health care offer to DC employees, without jeopardizing the solvency of the funds.

You can find the ARM board's full actuarial analysis in your packet.

[2:37:24 PM](#)

SENATOR GRAY-JACKSON expressed hope for the return of a defined benefit plan and asked how requiring continued service in the final year aligns with the original goal of defined contribution plans, which aim to support non-linear career paths.

SENATOR KAUFMAN replied that SB 198 primarily removes a barrier to increase flexibility for employees entering the system, and asked whether the question concerns that flexibility or the 12-month service requirement.

[2:38:35 PM](#)

CHAIR BJORKMAN asked whether defined contribution plans support career mobility and why the previous plan required employees to retire directly from the system to receive health benefits.

SENATOR KAUFMAN replied that he cannot explain the original requirement and stated that SB 198 removes the 12-month requirement to provide greater flexibility.

[2:39:38 PM](#)

SENATOR KAUFMAN continued with the summary of SB 198:

[Original punctuation provided.]

**(Background on 12-month requirement)**

Let me return for a minute to current statute to set up the second issue this bill addresses:

Current law requires DC employees who have met their years of service, to retire directly into the health benefit plan. It further requires that they work 12 months immediately before they retire.

This 12-month requirement imposes unnecessary rigidity on employees.

For instance, an eligible employee who isn't ready to enroll in their retiree health plan is forced to either delay retirement or leave public service and come back 12 months before they want to take their benefits.

There is no option for DC employees to strategically defer taking their health benefits.

Pre-Medicare premiums for retirees are high, so this lack of flexibility poses a real problem for folks who've earned this benefit

**(Amending 12-month requirement)**

SB 198 removes this 12-month requirement for eligible DC employees.

This change will give them the flexibility to strategically plan when they enroll in the health benefits they earned based on their personal medical and financial situation.

**(Closing)**

-In closing, since no members have yet reached the 25- or 30-year thresholds, now is the right time to address these eligibility requirements.

-SB 198 makes important improvements to the DC healthcare plan to better serve the employees who have dedicated their career to public service.

[2:41:43 PM](#)

EMMA TORKELSON, Staff, Senator James Kaufman, Alaska State Legislature, Juneau, Alaska, provided a summary of the sectional analysis for SB 198.

[Original punctuation provided.]

**Sections 1 & 4 make changes for defined contribution teachers and public employees**

-It removes the requirement to retire directly into their retirement health benefits after working the preceding 12 months.

-It also reduces the years of service required to qualify for benefits to. Teachers and public employees will qualify in 25 years (from 30 years).

-Peace officers and firefighters will qualify after 20 years (down from 25).

-Note that if any DC employee reaches retirement age after serving 10 years, they still have to meet the 12-month requirement.

**Section 2 & 5**

-Amend the premium (cost subsidies) for Medicare eligible retired teachers and public employees based on the changes in Sections 1 and 4

**Section 3**

-Amends the Health Reimbursement Arrangement (HRA) account procedures so that defined contribution teachers and public employees returning to work after a gap will have yearly interest (instead of inflation) credited to their existing HRA account. The ARM board will set the interest rate based on yearly market performance.

I'll make one note about Sections 3 and 5. When we were drafting this bill, these sections were added in as what we believed were conforming changes to change in the years of service. After the bill was introduced, however, we learned that the ARM board had intentionally not recommended changes to these subsidies as they have an actuarial impact on the health of the fund that was not studied. We would like to work with the committee to remove these sections in a future version of the bill.

Additionally, after this bill was introduced last session, the ARM board made a few more recommendations for changes to the DC health benefit system. We are still reviewing those recommendations, so I am not prepared to go into depth on them at this time. But we would like to work with committee members after this hearing to see if there is a desire to incorporate them into the bill.

[2:44:55 PM](#)

CHAIR BJORKMAN asked the Alaska Retirement Management (ARM) Board chair to outline the board's additional recommendations and explain how the changes in SB 198, along with those recommendations, improve the system and work together.

[2:45:44 PM](#)

BOB WILLIAMS, Chair, Alaska Retirement Management (ARM) Board, Juneau, Alaska, answered questions regarding SB 198. He answered that the board's additional recommendations focus on improving system design by reducing service requirements for medical benefits and increasing member flexibility. Specifically, Resolutions 2025-02 and 2025-21 propose lowering the vesting period from 30 years for teachers and public employees to 25 years, and from 25 years for public safety to 20 years. He said the ARM Board explains that these recommendations and SB 198 are complementary. While SB 198 provides a simple, already-funded path to these lower service requirements, Resolution 2025-21 offers an alternative funding mechanism through forfeited HRA balances. He said together, these changes improve the system by removing rigid, 2006-era restrictions, such as the requirement to retire directly from a plan, and allowing employees to use their HRA accounts more flexibly to cover premiums before Medicare eligibility. This unified approach ensures the system remains over 100 percent funded while providing the flexibility necessary for modern retirement planning.

[2:51:03 PM](#)

MR. WILLIAMS stated that the ARM Board rarely makes legislative recommendations and approaches them carefully and thoughtfully, aiming for broad agreement. The ARM Board believes its resolutions would improve the system.

[2:51:56 PM](#)

CHAIR BJORKMAN asked Mr. Murray to explain the current fund balances within the retirement trusts and whether they can support these changes over time.

[2:52:42 PM](#)

CHRIS MURRAY, Acting Chief Health Official, Division of Retirement and Benefits, Department of Administration, Juneau, Alaska, answered questions regarding SB 198. He responded that the trust funds are overfunded and deferred the question to Mr. Novell.

[2:53:30 PM](#)

CHRIS NOVELL, Chief Financial Officer (CFO), Division of Retirement and Benefits, Department of Administration, Juneau, Alaska, answered questions regarding SB 198 and said that Mr. Murray is correct, the health care funds are over funded and projected to stay well-funded through 2039. He said SB 198 can adequately carry this.

[2:54:13 PM](#)

CHAIR BJORKMAN stated that he is open to considering additional recommendations from the retirement board and notes that, regardless of future defined benefit policies, many state employees in the DC plan would benefit from this change, which aligns with the current bill.

[2:55:02 PM](#)

CHAIR BJORKMAN held SB 198 in committee.

[2:55:30 PM](#)

There being no further business to come before the committee, Chair Bjorkman adjourned the Senate Labor and Commerce Standing Committee meeting at 2:55 p.m.