Alaska State Legislature

Senate Majority Web: www.akrepublicans.org

Sponsor: FINANCE
Current Version: CSSB 141 (FIN)
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Fact Sheet for: Senate Bill 141

Short Title: PUBLIC EMPLOYEE/TEACHER RETIREMENT

Summary:

- Establishes a Defined Contribution (DC) Plan, Retiree Medical Benefit and Health Reimbursement Arrangement for new employees.
- Increases payroll contributions for existing employees by 0.5 percent annually until employers and employees share normal costs 50/50.
- Streamlines retirement system management by replacing the PERS, TRS and ASPIB boards with a newly created 9-member Alaska Retirement Management Board (ARMB) consisting of the commissioners of administration and revenue, 7 governor-appointed trustees with credentials or recognized competence in finance or accounting (3 non-beneficiary public members, a finance officer of PERS and one of TRS, one PERS member, one TRS member.)
- Strengthens the ARMB's fiduciary role to balance system assets and liabilities; provides more employer representation; and makes the ARMB responsible for setting employer contribution rates and adopting actuarial assumptions.
- Transfers the quasi-judicial responsibility for hearing appeals and waivers to the Office of Administrative Hearings.

Benefits:

- Strengthens management and fiduciary oversight of the state's retirement systems.
- Constrains growth of the unfunded liability.
- Establishes a portable defined contribution plan for new employees that, over time, reduces the state's dependence on riskier and less predictable defined benefit plans.

Background:

- Alaska's public retirement system assets have not kept up with obligations because of factors including rising health care costs, shifting demographic trends, market performance, and underestimation of system liabilities. The result is $5.7 billion in underfunding. Last year, the Administration formed a work group to come up with solutions. This fall, after much research and analysis, the work group presented two alternatives to the PERS and TRS boards. The boards declined to forward a solution to the Legislature. Based on the recommendations of that work group, the Senate Finance Committee conducted its own analysis and is introducing the Retirement Security Act. Unlike a defined benefit plan in which employees are guaranteed a pension benefit regardless of cost, a DC plan provides employees with a retirement amount based on actual account contributions and investment earnings.