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Representative Mike Kelly

House District 7

SPONSOR STATEMENT

HB 170

(24-LS0443\A)

"An Act relating to the qualifications of public members of the Public Employees' Retirement Board and the Alaska Teachers' Retirement Board."

HB 170 is one of several components required to address the PERS/TRS unfunded liability crisis. Although this bill does not provide supplemental funding for the systems, and does not make structural changes in the retirement systems themselves, it does make changes to the respective retirement system boards.

When reviewing the past performance of the retirement systems, focusing attention on the decisions that have increased liabilities, it is clear that board decisions generally and the actions of any one board specifically have not been the primary cause of our sizeable unfunded liability. Even so, the size of the unfunded liability suggests that we adopt changes to the membership and qualifications of members of these boards in order to inject non-beneficiary perspectives in management and appeal decisions.

In order to minimize the organizational disruption resulting from changes to the boards, the essential structures and appointment processes have been virtually untouched. It is the goal of HB 170 to create boards with a majority of members having no immediate personal interest in the outcome of decisions made by the boards. This change will provide greater objectivity in the appeal and general policy decisions of each board. Further, the additional requirement that two of the members possess "significant private sector experience in administration, financing, accounting, or economic development" is included to provide the boards with additional expertise when making managerial decisions that have the potential to significantly impact the soundness of the respective funds.

The Governor's authority to appoint members to both boards, the employee's ability to elect members to the PERS board, and the statewide teacher organization's ability to make recommendations to the TRS board are intentionally unchanged. The sponsor of this bill believes these processes protect the interests of the various constituencies served by these boards.

These changes are timely, necessary, and reasonable and will provide one component of an overhaul of our existing retirement systems to protect their long-term health and help provide Alaska's public employee's and teacher's benefits. Please support HB 170.