

# Alaska State Legislature

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## **Representative Mike Kelly**

*House District 7*

## **SPONSOR STATEMENT**

### **HB 177**

(WO - LS0413\Y)

*"An Act relating to employee and employer contributions to the teachers' retirement system and the public employees' retirement system; and providing for an effective date."*

HB 177 is the second of three bills (HB 170 & HB 191) introduced by the sponsor in response to the growing unfunded liability assumed by our state retirement systems.

HB 177 would adjust the existing employee contribution rates in the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) from a fixed rate as currently established in statute to a floating rate similar to manner in which the employer contribution rate is calculated. Although initial adjustments to the employee contribution rates would result in increases in contribution rates, HB 177 also provides a mechanism for corresponding decreases in contribution rates for both employers and employees.

Because the present value of the unfunded liability of the two systems exceeds \$5 billion currently, and the projected value of that liability will exceed \$15 billion over the next 25 years, it is essential that the Legislature implement measures that will stop the unfunded liability from growing any further and more importantly reducing that liability.

While the adoption of a new Defined Contribution (DC) tier in PERS and TRS is projected to eliminate the unfunded liability assumed by Alaska's retirement systems within 25 years, we believe that increasing employee contribution rates to help offset the increasing costs of benefits is not only a matter of equity with Alaska's government employers but makes sound financial sense as well. Increased contributions early in that 25-year period will ultimately result in significantly lower aggregate costs to Alaska's government employers.

We urge your support of HB 177.