

ALASKA STATE LEGISLATURE

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House OKs Bill to Aid Retired State Workers **HB 254 Would Allow Pre-Tax Purchase of Service Credits**

(JUNEAU) – Retired teachers, court system workers and other state employees could save money and improve their retirement benefits under [House Bill 254](#), which the House passed Monday to allow such retirees to buy service credit with pre-tax savings.

House Majority Leader Jeannette James (R-Fairbanks) introduced the bill as a way to align state retirement systems with new Internal Revenue Service regulations that offer retirees significant savings by allowing them to use pre-tax savings. The federal government has increasingly allowed workers to divert a percentage of income into qualified retirement savings accounts without paying income tax on the amount saved.

“House Bill 254 does not increase any benefits and it does not increase the retirement system costs for the state of Alaska or anyone else,” said James, an accountant by profession. “It allows the public employees and teachers to purchase service credit in their retirement systems with transfers from pretax savings in certain plans allowed by the IRS.”

Those who might benefit from HB 254 include those public employees in Alaska who had served in the U.S. armed forces or had taught in an Outside school district and wanted to apply those years of service toward state retirement by paying into the state system to buy retirement service credit.

By allowing the use of pre-tax savings to buy such service credit, the bill would offer retiring Alaskans a significant financial benefit, and would ensure the state retirement system remains in compliance with federal regulations, James said.

HB 254 moves next to the Senate for consideration.

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