

Legislative Update



February 2, 2024



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## For Immediate Release:

Hello,

The Legislature finished week 3 of this session. This week, the Senate Finance Committee continued work on SB 127: Taxation, Vehicle Rentals, Subpoenas. The committee also had the first hearings on SB 170: Extend Senior Benefits Payments Program, SB 56 Ak Performance Scholarship Eligibility, HB 26: Official Lang; Council for Ak Native Lang, SB 76: Approp, Supplemental; Reapprop, Amending and SB 188: Approp, Mental Health Budget.

Senate Bill 88: Retirement Systems Defined Benefit Option (see below) was before the full Senate for consideration. The bill passed the Senate and will be transferred to the House for their consideration.

Next Wednesday, the Legislature will convene in a Joint Session to hear from Chief Justice Maassen on his State of the Judiciary.

### **SB 88: Retirement Systems Defined Benefit Option**

SB 88 establishes new "tiers" with a Defined Benefit pension system for all new employees who begin service after the effective date of the bill, July 1, 2024. The tiers would impact both members of the Alaska Public Employees' Retirement System (PERS) and the Alaska Teachers' Retirement System (TERS). Pension accrual rates for years of service are comparable to the pre-2006 DB system.

Current employees who are in the Defined Contribution Retirement (DCR) plans, who began service between July 1, 2006, and June 30, 2024, are able to make a one-time irrevocable election to join the new PERS or TRS Defined Benefit plan with 180 days to decide. DCR employees who have separated from public service, should they return to service, would also have 180-day window to elect to convert to the new tier. The Division of Retirement and Benefits will calculate for each eligible employee's actual years of employment, DRB will use existing procedures to enable employees, should they choose to purchase the additional time.

The healthcare benefit provisions provided in the bill are unchanged from what is currently provided in the current DCR healthcare plans. New sub-trusts will be established for each new tiers' DB benefits. This is necessary to account for the financial activity of each respective PERS and TERS defined benefit pension and healthcare plan. The performance is then used to value the separate trusts in the annual actuarial valuation reports, which are used by the Alaska Retirement Management Board to adopt future PERS and TRS contribution rates.

Vesting in the Pension is 5 years, with the 5 highest salary years determining the final average salary calculation. It has the same disability and death benefits as presently.

SB 88 is not a return to the previous Defined Benefit System, which was very generous, particularly in healthcare coverage. SB 88 is a modest pension, covering all public employees and teachers with no healthcare coverage until Medicare age. There is no Cost of Living Allowance (COLA); there is only a Post Retirement Pension Adjustment (PRPA) that increases pension payments in accordance with inflation. But only folks who stay in Alaska will get the full PRPA; if retirees move out of Alaska, they only receive 50% of the PRPA.

SB 88 requires the Defined Benefit Fund to remain 90% funded. If it falls below 90%, the employers, employees and retirees all will increase their contributions to the Fund to keep it solvent. The Alaska Retirement Management Board will oversee the Fund balances, as it does now. The ARMB employs an actuary who reports every year, and every 3<sup>rd</sup> year a second actuary reviews the first actuary's work to be sure it is accurate.

SB 88 was approved by the Senate and will be transferred to the House for their consideration.



**Apply for you 2024 PFD Deadline to apply is March 31, 2024**

[Welcome to the 2024 PFD Online Application \(alaska.gov\)](https://alaska.gov)

**Senator Hoffman met with Nushagak Electric Cooperative on 1-31-24**

**(Left to Right) Henry Strub, Mark Lisac, and Will Chaney**