



March 21, 2022

LEGISLATIVE TESTIMONY

House Bill 55

Retirement Benefits

Senate Labor & Commerce

Senator Costello, Chair

Senator Revak, Vice Chair

Senator Micciche, Member

Senator Stevens, Member

Senator Gray-Jackson, Member

Chair Costello, & Members of Senate Labor & Commerce,

The Alaska Legislature had a great amount of foresight in 2005 when it recognized the coming fiscal crisis that would be caused by unfunded pension liabilities for state employees. Legislators acted prudently, passing a law to revise the state retirement system by creating a new competitive benefit for newcomers to state employment, while “grandfathering” those who had put in their time and been promised a defined benefit.

While Alaska’s public pension system is still only about 67 percent funded, things would be much worse had action not been taken in 2005. Nationwide, [Alaska now ranks 31<sup>st</sup>](#) out of 50 states for pension funding. Alaska should wisely continue funding the plan while not making poor policy changes in the meantime.

Policy reforms being considered in House Bill 55 would take the state’s pension solvency deficit in the wrong direction. If Alaska were to open a new defined benefit tier in PERS, we would suddenly begin taking on more financial risk. How much more? That is the million-dollar question which has not been answered. There has been no thorough actuarial analysis done of the risks of House Bill 55.



Without rigorous actuarial forecasting and stress testing that makes decades worth of projections, legislators do not have the information to make an informed decision. Legislators should know what to expect of the proposed tier during times of adverse plan performance before moving forward with approving a new tier.

Already, one very top level [analysis](#) has found returns falling below the plan's assumptions would "create significant funding shortfalls." This is not the kind of proposal which should be given serious attention at this time.

In order to ensure that we continue to fund our plan for those to whom we have already promised a defined benefit, we must be judicious in making new reforms that put those previously-promised benefits at risk.

Thank you for the opportunity to testify.



Bethany Marcum  
CEO

