SOAR

SAVING OUR ALASKA RETIREMENT

ELEMENTS OF HB 220

HB 220 is a bill currently before the Alaska State Legislature that would improve Alaska's broken retirement system for public sector employees hired after 2006, including police officers, firefighters, teachers, and ESP's.

Here's what the bill would do for Alaska educators:

1 ESTABLISHES CHOICE

TRS III, PERS IV, and all future public education employees would all have a choice between a Defined Contribution or Defined Benefit retirement option under HB 220. New hires will have 90 days to make this decision based on what's right for them and their families. Existing PERS IV and TRS III members will be able to use their DC accounts to buy years of service credit in the new pension system.

2 SETS A VARIABLE CONTRIBUTION RATE

HB 220 establishes a variable employee contribution rate of 6% to 8% for all public education workers who choose to participate in the DB option. The rate rises if an unfunded liability occurs.

3 VESTING AND RETIREMENT AGE

Like the current DC system, new hires who choose a DB option would fully vest after 5 years of service. Public education employees would be eligible after 30 years of service or at age 60.

4 PENSION BENEFIT CALCULATOR

HB 220 establishes a benefits calculator for DB participants based on a variety of factors. The benefit will be determined by years of service and the average of your 5 highest salary years. For educators, this means 2% each year for the first 10 years, 2.25% for the next 10 years, and 2.5% thereafter. Public education employees would receive roughly 67.5% after 30 years of service.

5 IN RETIREMENT

Public employees who remain in Alaska after retirement would be eligible for a 10% increase in pension amount through a Cost of Living Adjustment. A 90-day absence from Alaska would eliminate this benefit. HB 220 also establishes a Post Retirement Pension Adjustment when the DB system is 90% funded, at which time the benefit could go up based on the Consumer Price Index in Anchorage.

6 HEALTHCARE

HB 220 removes the requirement that employees must retire directly from the employer to access Health Reimbursement Arrangement (HRA) and insurance premium coverage. Like the prior health care plan under the DC plan, Medicare eligibility is when the employer-provided benefit kicks in. Retirement before Medicare eligibility creates a choice, to join the health coverage plan immediately and pay the full premium or wait until Medicare eligibility to receive the employer portion of the health insurance premium payment. Additionally, HB 220 provides that the employer will contribute 3% of an employee's average salary to an HRA account which will be used to pay insurance premiums and non-covered medical expenses such as deductibles and co-pays. All employees vest in medical insurance premium coverage after 10 years of service, with the employer paying 70% of insurance premiums after 10 years (the retiree must be Medicare eligible (65) to receive insurance coverage after retirement).

7 CONSTITUTIONAL PROTECTIONS

HB 220 reinforces existing language in the Alaska State Constitution that retirement benefits shall not be diminished or impaired.

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