

PENSION FAQ SHEET



House Bill 78 offers a stable and dignified defined benefit (DB) retirement to Alaska's public servants, providing them with a guaranteed lifetime pension.

WHY DOES ALASKA NEED A NEW RETIREMENT OPTION?

Public servants deserve a retirement they can count on—and the current retirement system isn't cutting it. **Only pensions promise a lifetime of security after a lifetime of service.** Additionally, retention in critical public sector jobs is at an all-time low. Secure retirement benefits, paired with livable wages and affordable healthcare, are key factors in employee satisfaction and retention.

WHAT IS A DEFINED BENEFIT?

Guaranteed monthly income based on years of service and salary. Both employer and employee contribute, and the plan's investment performance determines funding status. Assets are pooled and diversified in professionally-managed investment vehicles.

WHAT IS A DEFINED CONTRIBUTION?

Income is solely based on the amount contributed to the account and investment performance. Employees face longevity risk alone—retirement could last longer than savings. Managing a DC plan requires financial literacy that many employees may not have.

WHAT ABOUT SOCIAL SECURITY?

Most public employees in Alaska do not contribute to Social Security, so they do not receive Social Security benefits when they retire. That means, if a retired Alaska employee loses their 401(k) in a market downturn, there is no Social Security income as a backup.

WHEN WILL EMPLOYEES BECOME VESTED?

5 years

IS THERE STILL A RETIREE HEALTHCARE PLAN?

Yes. HB 78's medical coverage is similar to the current DC plans, but with key improvements to make it more accessible to retirees.

HOW WILL HB 78 SAVE ALASKA MONEY?

- Level overtime and training costs by increasing staff retention and lowering vacancies.
- Lower city and state contribution rates, saving the state millions.
- Reduce money lost to fees for federal non-compliance and untapped federal grants.

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WHEN WILL EMPLOYEES BE ELIGIBLE TO RETIRE?

Public Safety Workers

(Police and Firefighters)

- Age 50 with 25 years of service, or
- Age 55 with 20 years of service

All Other Public Workers

(Teachers, Dept. of Transportation, etc.)

- Age 60, or
- Any age with 30 years of service

IS THERE ANY INFLATION PROTECTION?

Yes. The Post-Retirement Pension Adjustment (PRPA) included in the bill is designed to ensure retirees can securely manage the cost of living.

WHAT ARE THE CONTRIBUTION RATES?

Employees contribute 8%; this can temporarily increase to 12% if the fund becomes destabilized.

The employer rate is adjustable, which results in savings for the public. Employer rates are determined by the ARM Board, alongside employee rates, to maintain fairness and fiscal stability.

HOW ARE THE BENEFITS CALCULATED?

ANNUAL PENSION = YEARS OF SERVICE × MULTIPLIER × AVERAGE SALARY (HIGH FIVE)

After a full 30-year career, most PERS and TRS employees will receive a final benefit of just over two-thirds (67.5%) of their highest 5-year average income, *every month for life.*

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