



Alaska State Legislature Senate Majority News

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Public Employee Pension Reform Signed into Law *First Step to Solving \$5.7 Billion Dollar Deficit Taken*

(Anchorage) – Today Governor Frank Murkowski signed the public employee pension reform bill (SB 141) into law during a bill signing ceremony in Anchorage. The landmark legislation creates a modern and secure retirement plan for future public employees and it takes the first and most important step to addressing the state's projected \$5.7 billion dollar deficit under the existing pension plan.

The legislation originated in the Senate Finance Committee and was spearheaded by Sen. Bert Stedman (R – Sitka). "I believe this will be remembered as the most significant bill to come out of the 24th Legislature. Alaskans expect us to keep our fiscal house in order and SB 141 achieves that while at the same time creates a strong retirement plan that meets the needs of future teachers and state employees."

SB 141 eliminates the outdated pension system and replaces it with a 401-K type retirement account for public employees and teachers hired *after* July 1, 2006. The state and each employee will make a joint contribution of 13 percent based on the employee's salary every month into the retirement account. Public school teachers and their employers will contribute 15 percent.

"Anyone working in the private sector with a 401-K savings plan will probably look at those contribution rates and say that's a great retirement plan - and it is. SB 141 strikes a great balance between protecting the state from the financial pitfalls inherent with a traditional pension plan and provides future public workers with a substantial retirement they can count on," said finance committee co-chair Sen. Lyda Green (R – Wasilla).

The legislation includes a progressive solution for helping future public employees and teachers cover their health care costs after retirement. The Health Reimbursement Arrangement (HRA) is an employer funded medical savings account. When an employee or teacher retires he or she can withdraw the funds to pay medical expenses and/or health insurance premiums for themselves, their spouse or dependent children. The withdrawals are also tax-free.

Senate President Ben Stevens (R – Anchorage) says reforming the PERS/TRS plans was the Senate Majority's main goal this year. "Traditional pension plans are sinking some of the country's biggest corporations and are threatening the fiscal stability of other states. I'm proud with how lawmakers and Governor Murkowski put their heads together to create a win-win situation for public employees and the state."

Next session the legislature will take up more solutions to addressing the \$5.7 billion dollar deficit in the PERS/TRS systems.

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