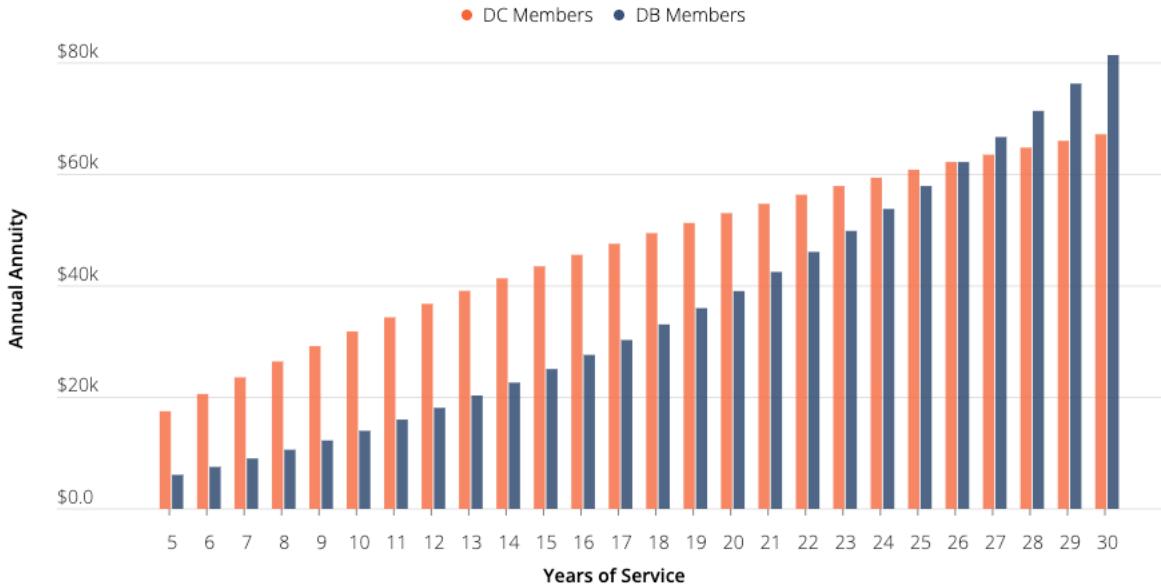




State's DC Is a Better Benefit than a Pension for Most Alaska Public Workers

Alaska lawmakers are considering eliminating the state's defined contribution (DC) pension plan for government workers, but doing so would eliminate some of the advantages for an increasingly mobile workforce. A defined benefit (DB) pension structure concentrates benefits only on those with longer tenures, often at the expense of most state workers who move on to other opportunities after 5 to 15 years. Today's teachers and government employees would be better served with more, not fewer, retirement options to reflect the realities of the more mobile workforce. Instead of imposing lower retirement benefits on most of the state's future hires with a mandatory DB plan, policymakers should keep the DC plan open as an option for those who would like to take advantage of its inherent advantages.

The DC benefit grows faster for most new hires. Analysis of Alaska's current DC benefit, comparing the post-employment annual benefit earned to that of the legacy pension plan, indicates that someone hired at the age of 30 is better off in the DC plan until their 26th year of service.



Source: Pension Integrity Project benefit analysis of Alaska PERS DC and legacy DB plan for an individual hired at age 30. Assumed annual return of 7%. Values are adjusted for inflation. For more information and access to the analysis, go to: <https://reason.org/commentary/most-workers-value-alaskas-defined-contribution-plan-surpasses-traditional-pension/>

Very few of Alaska's public employees stay in their jobs long enough to enjoy the advantages of the DB pension. According to assumptions used by PERS, 50% of new public safety hires are expected to leave the system by year 10. About 60% leave before their 20th year.

Bottom Line: Eliminating Alaska's DC plan would **reduce** the retirement benefits for the majority of newly hired police, firefighters, teachers, and other public employees. Instead of using PERS and TRS to penalize these workers, lawmakers should continue to offer retirement plan options that provide the flexibility and meet the needs of the state's workforce.

Pension benefits accrue more slowly and are more vulnerable to inflation for workers who leave the system after 5-20 years.

Retirement savings in a DC plan have the advantage of growing more steadily, and inflation doesn't erode their purchasing power.

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