April 2009

Pension Reform and Retirement in Alaska

Carl Shepro
University of Alaska, Anchorage

Follow this and additional works at: https://thekeep.eiu.edu/jcba

Recommended Citation
DOI: https://doi.org/10.58188/1941-8043.1189
Available at: https://thekeep.eiu.edu/jcba/vol0/iss4/21

This Proceedings Material is brought to you for free and open access by the Journals at The Keep. It has been accepted for inclusion in Journal of Collective Bargaining in the Academy by an authorized editor of The Keep. For more information, please contact tabruns@eiu.edu.
A truism in Alaska regarding nearly everything, but especially politics and economics, is that Alaska is about two years behind the rest of the nation. When one looks at pension reform in the public sector, it would appear that Alaska is even farther behind its sister states in attempting to ‘fix the pension problem.’ Prior to 2006, Alaska was recognized as having one of the better public employee pension systems, a defined-benefit program that included a lifetime monthly pension payment as well as an excellent medical program.

At a point when the majority of states that had once switched to defined-contribution retirement programs were in the process of switching, or had switched, back to at least some variant of defined-benefit programs for public employees, the Alaska State Legislature implemented a defined-contribution retirement program for all new public employee hires, beginning 1 July 2006.\(^1\) This bill, SB 141, was pushed by then-Governor Frank Murkowski—in response, according to some political pundits, to a request from the Bush White House soliciting support for the president’s efforts to privatize Social Security. It has also been rumored that some members of the Republican majority in the legislature stood to gain financially from passage of the bill. In any case, the rationale offered for the bill focused on an $8 billion “shortfall” in the two programs of the system, the Public Employees Retirement System (PERS) and the Teachers Retirement System (TRS). However, there was a shortfall only in the sense that the systems would not be able to fund retirements if everyone in them retired at the same time.

The initial response to the introduction of SB 141 during the 2005 legislative session featured efforts by many of the public sector unions as well as the AFL-CIO acting singly, through their own lobbyists and/or through individual unit members testifying against the bill. Needless to say, those efforts failed to stop passage of the bill or to convince the governor not to sign it. However, in November of 2006, a two-day meeting to be held in early December was organized by NEA-Alaska. The purpose of the meeting was to develop a strategy to restore secure pensions for school district, university and other state and local employees affected by the bill. In addition to NEA, the AFL-CIO Alaska, two state federations (the Alaska Public Employees Association/American Federation of Teachers [APEA/AFT] and the Alaska State Employees Association/ American Federation of State, County and Municipal Employees [ASEA/AFSCME]), three large public sector unions (Public Safety Employees Association [PSEA], Anchorage Police Department Employees Association [APDEA], and the Anchorage Fire Fighters Union), and Teamsters Local 959 attended the organizing meeting for what was to become the Alaska Public Pension Coalition (APPC).

NEA invited individuals from states that had experienced campaigns to restore defined-benefit retirement programs, including the National Public Pension Coalition (NPPC) and representatives of labor from other states that had fought similar battles in their legislatures; they provided expertise and assisted in discussions about how to proceed. The major point made by these groups was that any attempt to restore a defined-benefit pension system would have to be a group effort. Approaching the problem as individual actors would leave them vulnerable to a

\(^1\)http://www.legis.state.ak.us/basis/get_bill_text.asp?hsid=SB0141Z&session=24
divide-and-conquer strategy by those who opposed such a restoration—in the administration, among individual legislators, and various public sector employers. As a faculty member at the University of Alaska, I can testify to the university administration’s efforts to move its employees away from a voluntary defined-contribution option tied directly to benefit rates, to a mandatory program featuring fixed rates—in the process saving itself substantial amounts of money in terms of its benefit contributions to employees’ plans. Formation of a coalition would enable an exponential increase in political power by requiring information-sharing and resource-pooling to conduct polling and/or focus group research. In this way, the campaign to bring back the defined-benefit public employee pensions would achieve a unified, consistent message that would resonate with legislators.2

As a result of the lessons learned at the meeting, members of the APPC pooled their resources, primarily through the auspices of the AFL-CIO in Alaska, and set to work to restore the defined-benefit pension for public employees. In the first session of the 25th Legislature they introduced a bill to accomplish that restoration. The arguments advanced by coalition members were: that public-sector employers are having trouble filling vacant positions because of the change to a defined-contribution program, and that many younger workers (especially teachers and public safety personnel) are leaving to take jobs where a defined-benefit program is in place. However, the bill was up against a House of Representatives firmly controlled by a Republican leadership opposed to a return to a defined-benefit system, and a Senate featuring strong committee chairs who had led the fight to establish the defined-contribution system and were vehemently opposed to attempts to change it back. The APPC effort was not successful in pushing their bill through the 25th Legislature, but the effort did provide members with the knowledge that their unified actions promoted serious consideration of a bill focused on restoring the defined-benefit system.

One consequence of the legislature’s inability to pass the 2007 bill was a unified effort by APPC member organizations to mobilize their memberships for the 2008 legislative elections. One of the major questions asked of all candidates was whether they supported or opposed the return to a defined-benefit retirement system for public employees, with APPC members naturally supporting candidates who indicated they favored such legislation. The election results demonstrated, in part, the success of the APPC strategy: the Republican majority in the Alaska State Senate fell to an even division between the parties, with a majority indicating support of defined-benefit legislation; Republican dominance in the House of Representatives was also reduced.

When the 26th Alaska Legislature came into session in January 2008, the influence of the labor coalition was almost immediately apparent. Three bills aimed at repealing the defined-contribution retirement system were introduced: one in the Senate by Democratic lawmakers and two in the House, one by Democrats and one by Republicans. However, it quickly became apparent that despite wide support for the bills in both houses, they were not moving as hoped. All three bills were assigned to three committees in both houses. The two House bills were assigned to the Labor and Commerce Committee initially and neither made it out of committee prior to the end of the Citizen Initiative-mandated 90-day session. In the Senate, SB 23 was reported out of the Labor and Commerce as well as the State Affairs Committees, but failed to

http://www.lsnea.kierin.com/union_pension.html

2

https://thekeep.eiu.edu/jcba/vol0/iss4/21
DOI: 10.58188/1941-8043.1189
even come up for a vote in the Senate Finance Committee. Clearly, despite the efforts of APPC and of the legislators favorable to a return to a defined-benefit retirement system, elements of the leadership on key committees in both houses have not allowed the bills to come to a floor vote. The Speaker of the House of Representatives sits on the Labor and Commerce Committee in that body, while one of the primary opponents of a return to a defined-benefit system is co-Chair of the Senate Finance Committee. Still, the fact that SB 23 was passed out of two committees before being stalled in the Senate is a major advance and does provide impetus for a renewed effort by APPC during the Second Session of the 26th Legislature.

The focus of APPC now has expanded from a simple emphasis on electoral campaigns to include data collection, research, and analysis supporting arguments about the detrimental effects of the implementation of a defined-contribution retirement system on the ability of agencies, schools, public safety organizations, and universities to hire and retain the qualified people they seek to recruit. The problem is compounded in Alaska by at least two variables: its geographical isolation from the contiguous states and the resultant increased costs (and time required) to travel, compounded by climate variability throughout the state; in addition, the public sector in Alaska does not participate in Social Security (having withdrawn in 1982)—thus public employees lack the stability that Social Security Retirement provides for a defined-contribution retirement program. Several public forums conducted over the past year on the issue effectively highlighted these concerns, especially among younger school district teachers. In addition to maintaining the political pressure that the 2008 elections showed was particularly effective in changing key seats in both houses of the legislature, research efforts are now focused on issues including the number of individuals who are or are likely to be negatively affected by the defined-contribution system; the differences between those in the existing defined-benefit tiers and those in the new defined-contribution tier, including important demographic variables; an analysis of labor unions’ figures of turnover, job losses and costs of recruitment and training compared with the costs under the defined-benefit program; and comparative data from states that had switched to defined-contribution retirement programs in the past and have since returned to defined-benefit systems. The APPC is actively pursuing this research and analysis to provide a basis for its push to get the three existing bills (and possibly more introduced) through the committee process and onto the floor for votes.

In conclusion, there are two major lessons learned by organized labor in Alaska at least in part as a result of the formation of the APPC. First, while Alaska has always been a strong labor state, labor influence shrank during the Reagan years; the APPC experience demonstrated unequivocally that a unified labor effort can and does have the ability to positively influence politics, especially through the electoral processes. Second, and perhaps more importantly, the coalition has brought about recognition of the fact that sharing information and resources among all of organized labor, rather than proceeding to advance each union’s own interests, can and does lead to more effective, efficient and successful influence on issues of importance to all.