Fiscal Note

State of Alaska
2025 Legislative Session

Bill Version: HB 78
Fiscal Note Number:
() Publish Date:

Identifier: HB078(HFIN)-VAR-ALL-04-15-2025
Title: RETIREMENT SYSTEMS; DEFINED BENEFIT OPT.
Sponsor: FINANCE
Requester: (H) FINANCE

Department: Various
Appropriation: Various
Allocation: All Branches
OMB Component Number: 0

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2026 Appropriation Requested	Included in Governor's FY2026 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY 2026**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**FY 2031**
Personal Services			40,600.0	48,700.0	56,300.0	62,800.0	71,500.0
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	**0.0**	**0.0**	**40,600.0**	**48,700.0**	**56,300.0**	**62,800.0**	**71,500.0**
Fund Source (Operating Only)							
1004 Gen Fund (UGF)			40,600.0	48,700.0	56,300.0	62,800.0	71,500.0
Total	**0.0**	**0.0**	**40,600.0**	**48,700.0**	**56,300.0**	**62,800.0**	**71,500.0**
Positions							
Full-time							
Part-time							
Temporary							
Change in Revenues							
None							
Total	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimated SUPPLEMENTAL (FY2025) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2026) cost: 0.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? Yes

(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? TBD

Why this fiscal note differs from previous version/comments:

Incorporating analysis from the department's consulting actuary Gallagher Company (formerly known as Buck) on the fiscal impact to Public Employees' Retirement System (PERS) and Teachers' Retirement System (TRS) trusts.

Prepared By: Christopher Novell, Chief Financial Officer — Phone: (907)465-5703
Division: Retirement and Benefits — Date: 04/15/2025
Approved By: Michelle Vuille, Division Operations Manager — Date: 04/15/25
Agency: Department of Administration

REPORTED OUT OF HFC 05/08/2025

FISCAL NOTE ANALYSIS

STATE OF ALASKA **BILL NO.** HB 78
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Analysis

This bill proposes to open the Public Employees' Retirement System (PERS) and Teachers' Retirement System (TRS) benefit plans by adding a new defined benefit tier. New employees will be enrolled into the defined benefit plan and existing members participating in the Defined Contribution Retirement (DCR) plan will be allowed a one-time opportunity to convert to the new defined benefit tier.

The Division of Retirement and Benefits' consulting actuary, Gallagher Company (formerly known as Buck), has calculated the fiscal impacts if this bill should pass as written. Projections reflect an increase to the FY 2027-2039 PERS additional state contributions and a decrease to the TRS additional state contribution in FY 2027 then increases from FY 2028-2039. The change in the additional state contributions for PERS and TRS is due to the change in the sources of contributions to each system and the change in the defined benefit and defined contribution distribution of funding.

Since this bill would take effect on July 1, 2025, there is no fiscal impact to the PERS and TRS FY 2026 additional state contributions because these amounts have already been adopted by the ARM Board. If future experience matches the actuarial assumptions used to value the plans' liabilities, the dollar impact on the PERS and TRS additional state contribution is reflected below (dollars in thousands):

Year:	FY2027	FY2028	FY2029	FY2030	FY2031
PERS	16,400.0	17,800.0	19,500.0	20,900.0	23,500.0
TRS	(300.0)	1,800.0	2,800.0	3,600.0	4,400.0
Total	**16,100.0**	**19,600.0**	**22,300.0**	**24,500.0**	**27,900.0**

As noted on page 3 of the attached letter from Gallagher dated March 24, 2025, projected net total increases to the PERS and TRS additional state contributions from FY 2027-2039 amount to $467 million.

As noted in the next to last paragraph on page 1 of the Gallagher letter referenced above, "By shifting active members and all future hires from the DCR plans to the DB plans, the State will assume greater risk of larger unfunded liabilities and higher contributions in future years."

It should be noted that there will be a net increase in FY 2026 State of Alaska-as-an-employer payroll contributions because projected FY 2026 payroll and beyond is projected to increase if this bill is implemented.

Below are two tables which summarize the fiscal impacts of implementing HB78 versus the current systems in place. The first table summarizes the fiscal impacts to the PERS and TRS Additional State Contributions required by AS 39.35.280 and 14.25.085.

The second table summarizes the fiscal impacts to the State of Alaska-as-an-employer as the State is required to pay the full adopted PERS actuarially determined contribution rate, which is expected to increase over the next 13 years.

As noted in the next to last paragraph on page 1 of the Gallagher letter referencd above, "By shifting active members and all future hires from the DCR plans to the DB plans, the State will assume greater risk of larger unfunded liabilities and higher contributions in future years.

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Analysis

In millions.

Additional State Contributions (PERS and TRS)

Fiscal Year	PERS			TRS			Total		
	Current	HB 78	Incr/(Decr)	Current	HB 78	Incr/(Decr)	Current	HB 78	Incr/(Decr)
2027	$ 93.0	$ 109.4	$ 16.4	$ 161.0	$ 160.7	$ (0.3)	$ 254.0	$ 270.1	$ 16.1
2028	94.2	112.0	17.8	162.9	164.7	1.8	257.1	276.7	19.6
2029	95.8	115.3	19.5	165.1	167.9	2.8	260.9	283.2	22.3
2030	98.9	119.8	20.9	168.7	172.3	3.6	267.6	292.1	24.5
2031	101.7	125.2	23.5	172.5	176.9	4.4	274.2	302.1	27.9
2032	105.1	131.0	25.9	176.6	181.7	5.1	281.7	312.7	31.0
2033	108.6	137.4	28.8	180.8	186.7	5.9	289.4	324.1	34.7
2034	112.4	143.8	31.4	185.4	191.9	6.5	297.8	335.7	37.9
2035	116.4	150.9	34.5	189.9	197.2	7.3	306.3	348.1	41.8
2036	120.2	158.2	38.0	194.9	202.7	7.8	315.1	360.9	45.8
2037	123.9	165.7	41.8	200.0	208.6	8.6	323.9	374.3	50.4
2038	127.5	173.7	46.2	205.2	214.5	9.3	332.7	388.2	55.5
2039	131.8	181.6	49.8	210.7	220.4	9.7	342.5	402.0	59.5
Total	$ 1,429.5	$ 1,824.0	$ 394.5	$ 2,373.7	$ 2,446.2	$ 72.5	$ 3,803.2	$ 4,270.2	$ 467.0

State-as-an-Employer Contributions (PERS/PERS DCR)

Fiscal Year	DB			DCR			Total		
	Current	HB 78	Incr/(Decr)	Current	HB 78*	Incr/(Decr)	Current	HB 78	Incr/(Decr)
2027	$ 305.0	$ 392.2	$ 87.2	$ 98.1	$ 35.4	$ (62.7)	$ 403.1	$ 427.6	$ 24.5
2028	304.0	397.6	93.6	101.7	37.2	(64.5)	405.7	434.8	29.1
2029	303.8	404.3	100.5	105.4	38.9	(66.5)	409.2	443.2	34.0
2030	305.8	412.6	106.8	109.1	40.6	(68.5)	414.9	453.2	38.3
2031	308.3	422.6	114.3	113.0	42.3	(70.7)	421.3	464.9	43.6
2032	311.8	433.1	121.3	116.9	44.0	(72.9)	428.7	477.1	48.4
2033	316.0	444.6	128.6	120.9	45.8	(75.1)	436.9	490.4	53.5
2034	321.0	456.2	135.2	124.8	47.5	(77.3)	445.8	503.7	57.9
2035	326.5	468.8	142.3	128.8	49.1	(79.7)	455.3	517.9	62.6
2036	332.9	482.2	149.3	133.2	50.8	(82.4)	466.1	533.0	66.9
2037	339.6	496.2	156.6	137.6	52.4	(85.2)	477.2	548.6	71.4
2038	346.5	510.9	164.4	142.0	54.1	(87.9)	488.5	565.0	76.5
2039	354.7	526.0	171.3	146.4	55.6	(90.8)	501.1	581.6	80.5
Total	$ 4,175.9	$ 5,847.3	$ 1,671.4	$ 1,577.9	$ 593.7	$ (984.2)	$ 5,753.8	$ 6,441.0	$ 687.2

* Actuarially Determined Contribution rate for DCR retirees plus 3% (4% for PERS P/F) HRA contributions for HB 78 members.

(Revised 9/6/24 OMB/LFD)