

Presentation to Alaska House Finance Committee

Tuesday, February 18, 2025

Tyler Bond
Research Director
National Institute on Retirement Security

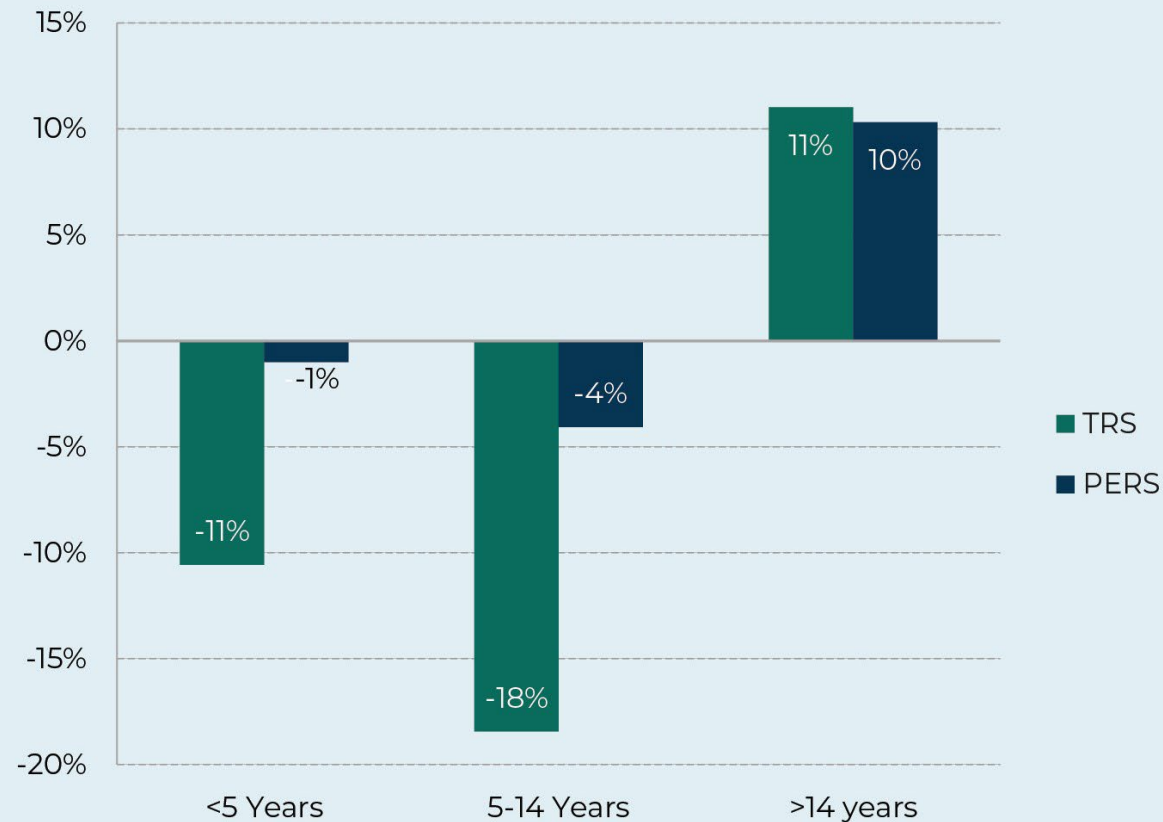
Alaska is an Outlier in Offering DC-Only

Table 1: Summary of Benefit Offerings Among State-Level Plans for Teachers, Faculty, and Support Professionals				
Social Security States (All or Most)				
	Teachers	ESPs	HEF	HESP
DB (Pension)	AL, AZ, AR, CA, DE, GA, HI, IA, ID, MD, MN, MS, MT, NE, NH, NJ, NM, NY, NC, ND, OK, SD, VT, WV, WI, WY	AL, AZ, AR, CA, DE, DC, GA, HI, ID, IL, IA, MD, MN, MO, MS, MT, NE, NH, NJ, NM, NY, NC, OK, SD, WV, WI, WY	AL, AZ, AR, CA, DE, DC, GA, HI, IA, ID, KS, MD, MN, MS, MT, NE, NH, NJ, NM, NY, NC, ND, OK, SD, WV, WI, WY	AL, AZ, AR, CA, DE, DC, GA, HI, IA, ID, MD, MN, MO, MS, MT, NE, NH, NJ, NM, NY, NC, OK, SD, WV, WI, WY
DB, Plus DC Component	OR, RI, TN, VA	OR, RI, TN, VA	OR, RI, TN, VA	OR, RI, TN, VA
Choice: DB or Combo (DB/DC)	WA	WA, KY	WA, KY	WA
DB; Optional DC Choice	SC	MT, ND, SC, VT	CA, SC	CA, MT, ND, SC, VT
Choice: Combo or DC	FL, MI, IN, PA, UT	FL, MI, IN, PA, UT	FL, MI, IN, PA, UT	FL, MI, IN, PA, UT
Cash Balance	KS	KS		KS
Non-Social Security States (Some, Few/None)				
	Teachers	ESPs	HEF	HESP
DB (Pension)	CA, CO, CT, DC, IL, KY, LA, ME, MA, MO, NV, TX	CA, CO, CT, GA, KY, LA, ME, MA, NV, TX	CA, CO, CT, KY, ME, MA, MO, NV	CA, CO, CT, KY, ME, MA, NV
DB, Plus DC Component			IL	IL
Choice: DB or Combo (DB/DC)	WA	WA	WA	WA
DB; Optional DC Choice			CO, LA, TX	CO, LA, TX
Choice DB, DC or Combo	OH	OH	OH	OH
DC-Only	AK	AK	AK	AK
Note: The University of Missouri is DC only.				

Source:
<https://www.nirsonline.org/reports/alaskareport/>

PERS and TRS Have Fewer Workers with Fewer Years of Tenure = Less Retention

Figure 1: Change in Worker Count by Tenure: 2005 vs. 2021



Source:
<https://www.nirsonline.org/reports/alaskareport/>

Turnover Much Higher for Male Peace Officers in DC Plan in Alaska

Male Peace Officers who vest in Alaska are projected to provide:

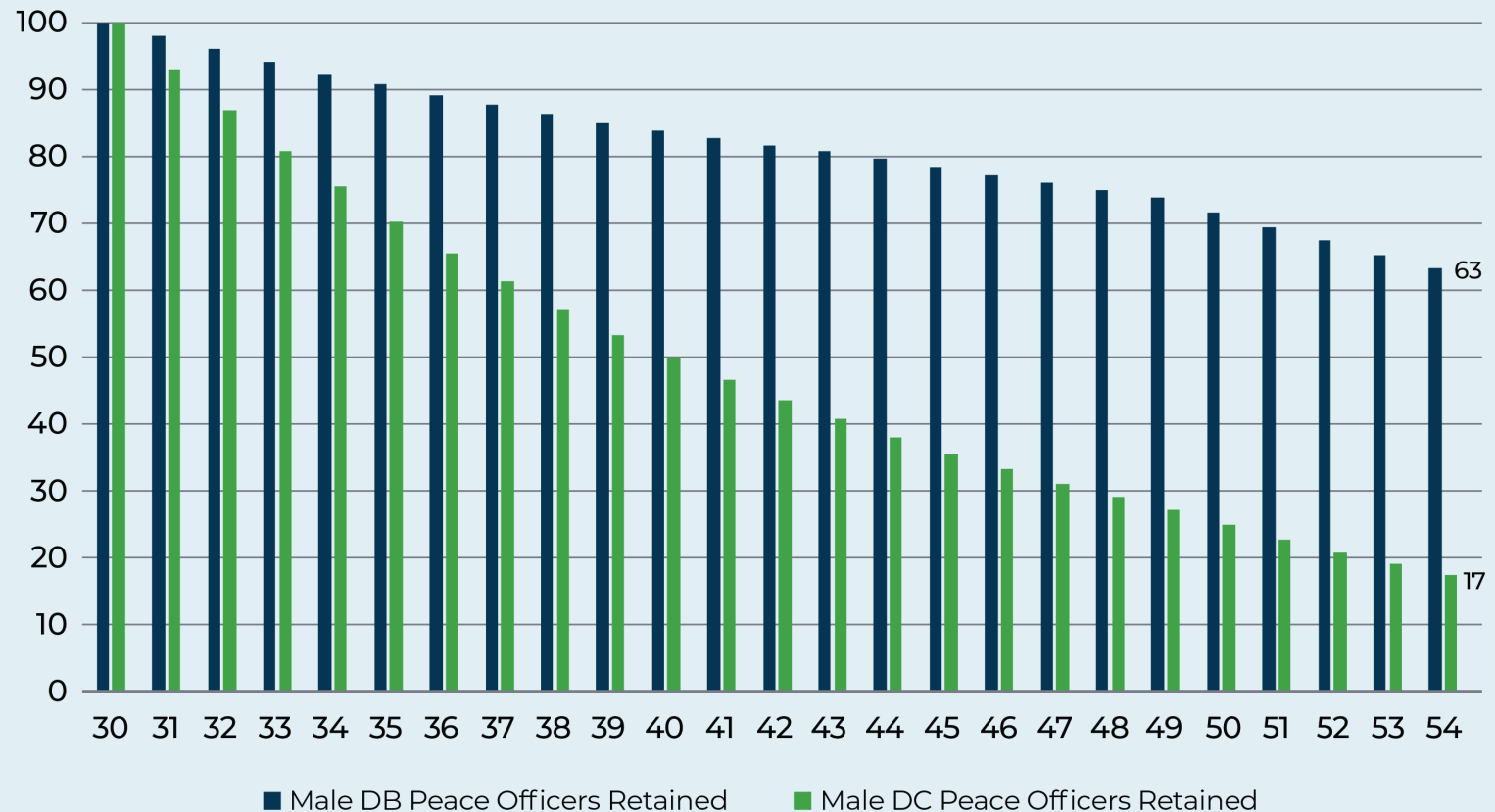
- 20.5 years of service when in the DB plan
- 12.2 years of service when in the DC plan

Those in DB plan are providing 67% more service after reaching vesting.

Source:

<https://www.nirsonline.org/reports/alaskareport/>

Figure 8: Retention of Male Peace Officers in Alaska: DB & DC Plans Based on Ultimate Termination Rates

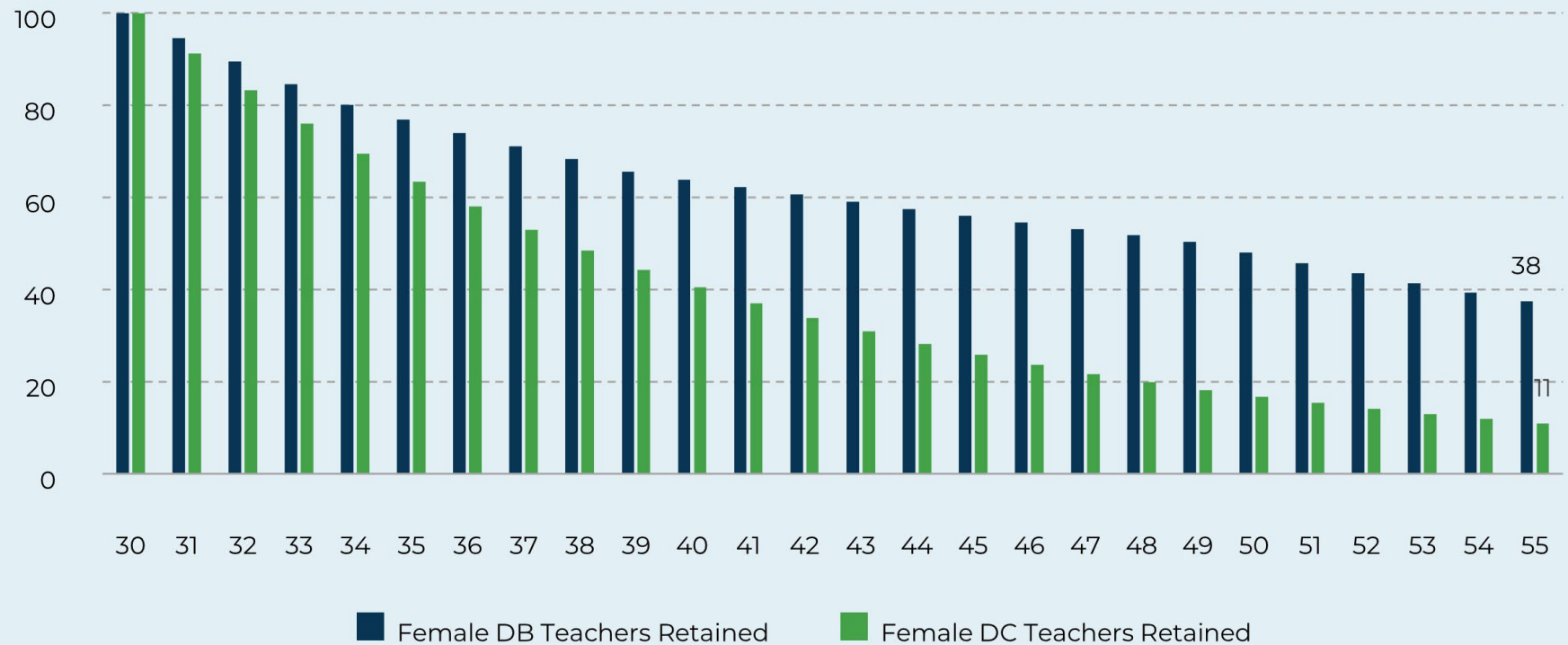


Female Alaskan Teachers: How the Seemingly Small Difference Adds Up

What this means:

- 100 teachers in DB plan expected to provide 1,792 years of teaching
- 100 teachers in DC plan: 1,093 years of teaching

**Figure 3: Retention of Female Teachers (TRS): DB & DC Plans
Based on Ultimate Termination Rates**



Source:

<https://www.nirsonline.org/reports/alaskareport/>

TRS DC in Alaska: Early Retention Getting Worse

Termination: Select Rates – TRS DCR

Years of Service	Current		Proposed (Adopted)	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
<1	20.70%	21.80%	28.00%	31.00%
1	19.55%	18.70%	28.00%	21.00%
2	16.10%	15.40%	19.00%	18.00%
3	13.80%	13.20%	17.00%	13.00%
4	11.50%	11.00%	13.00%	13.00%
5	7.32%	8.05%	13.00%	10.00%

Source: Actuarial Experience Study for the Period 7/1/2017 to 6/30/2021

https://drb.alaska.gov/docs/valuations/ActuarialExperienceStudy_2022.pdf

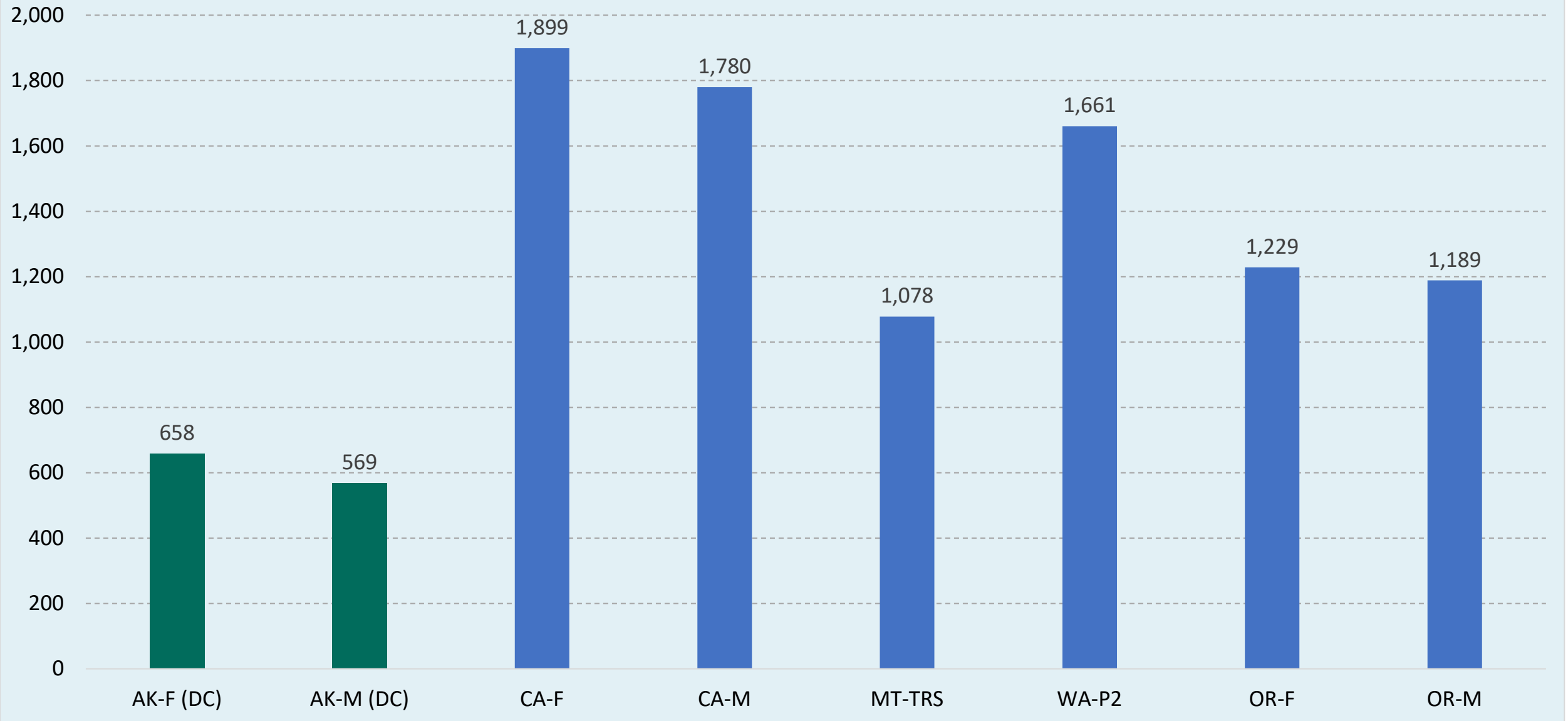
PERS DCR: Early Retention Getting Worse

Termination: Select Rates – PERS DCR (Others)

Years of Service	Current		Proposed (Adopted)	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
<1	24.36%	27.98%	28.00%	29.00%
1	21.00%	22.31%	20.00%	24.00%
2	16.80%	17.85%	16.00%	19.00%
3	13.44%	14.28%	14.00%	16.00%
4	9.45%	12.34%	12.00%	14.00%

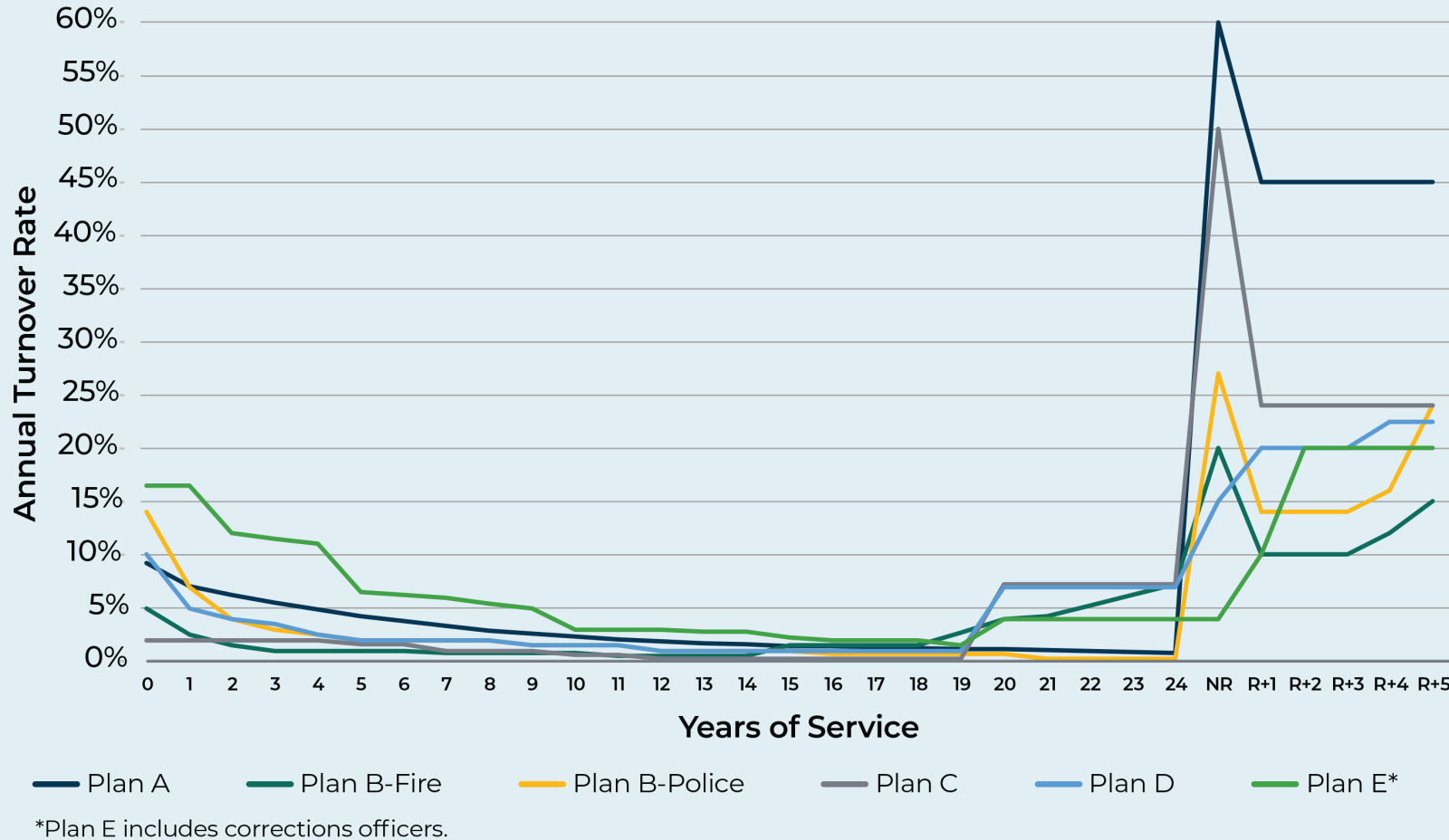
Source: Actuarial Experience Study for the Period 7/1/2017 to 6/30/2021
https://drb.alaska.gov/docs/valuations/ActuarialExperienceStudy_2022.pdf

Cumulative Years Taught: 100 newly hired, 25-year Old Teachers Over 30 Years (Select and Ultimate Periods)



Turnover is Very Low During Middle of Career

Figure 7: Annual Turnover Rates for Public Safety Professionals Hired at Age 25

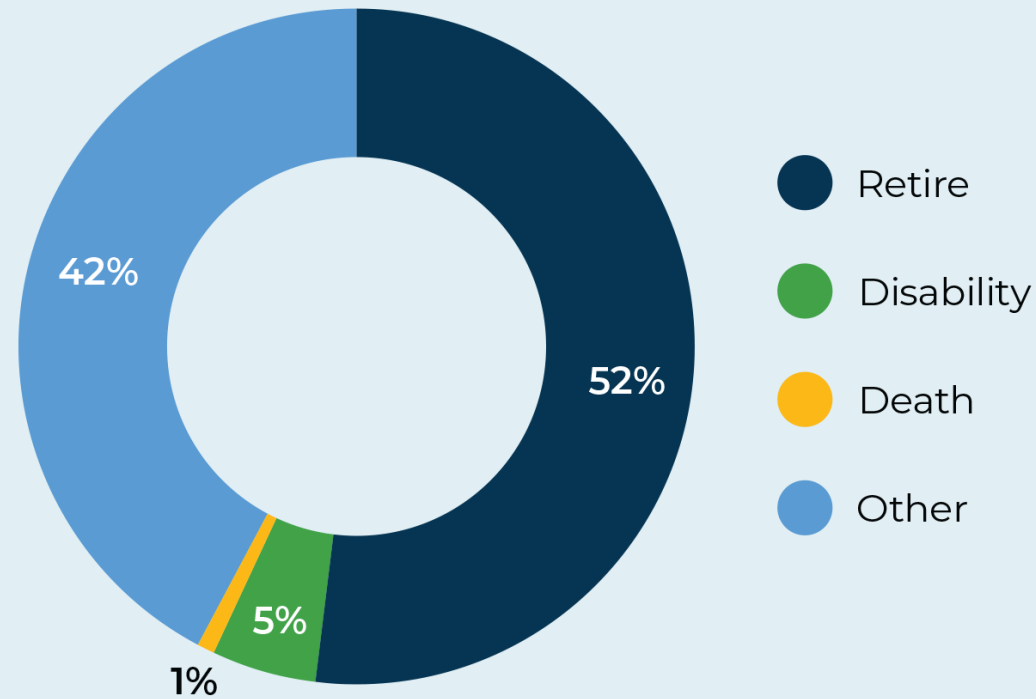


Source:

<https://www.nirsonline.org/reports/publicsafety/>

More than Half Expected to Retire from Plan

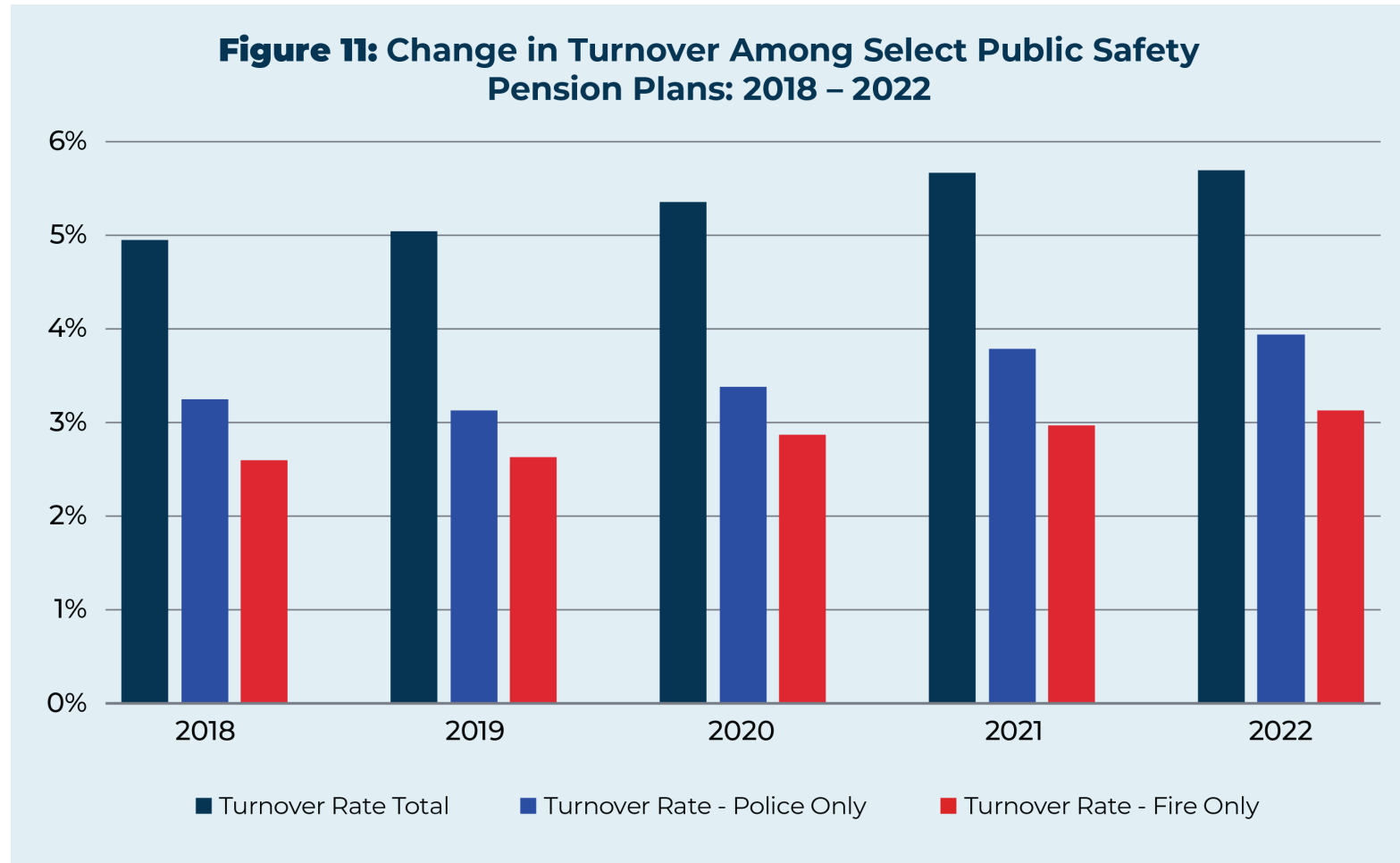
Figure 4: Projected Reason for Leaving Employment Among New Hires in Public Safety Plans



Source:

<https://www.nirsonline.org/reports/publicsafety/>

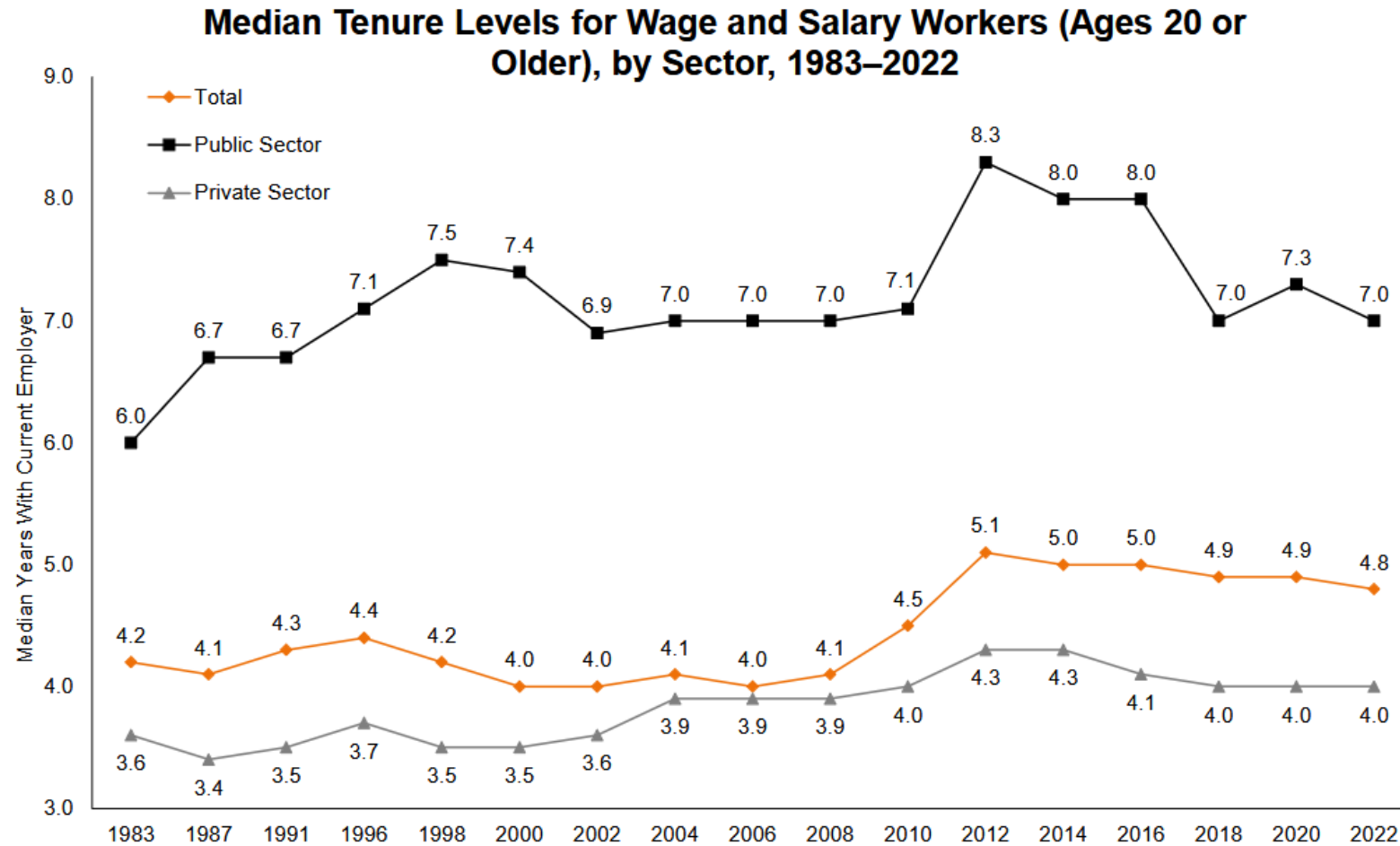
Turnover Has Increased Modestly Among Sample of Public Safety Plans



Source:

<https://www.nirsonline.org/reports/publicsafety/>

The Public Sector Has Longer Tenure Than the Private Sector

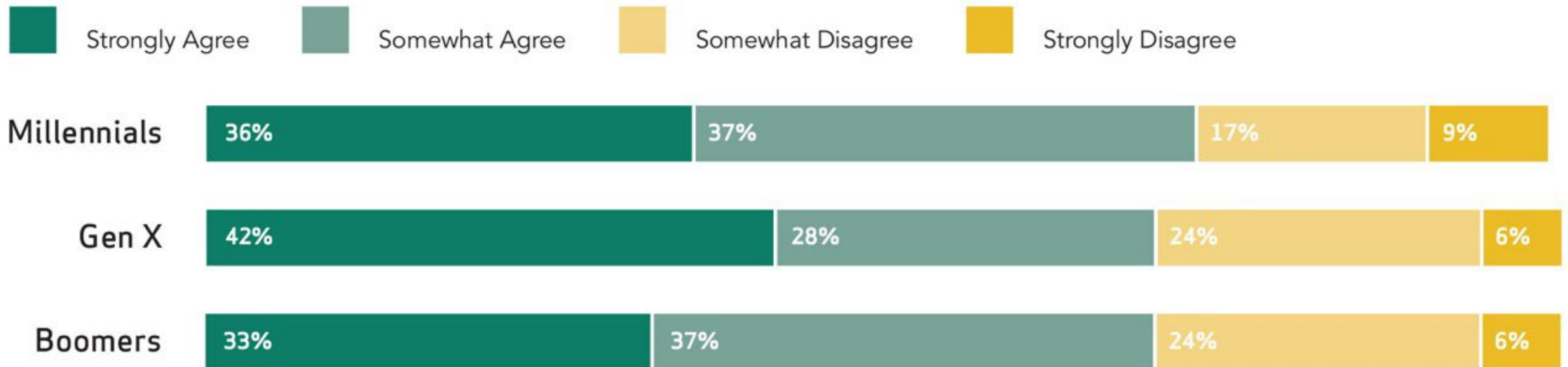


Source: U.S. Department of Labor, Bureau of Labor Statistics, "Employee Tenure," at www.bls.gov/news.release/history/tenure_09192002.txt, www.bls.gov/news.release/archives/tenure_09182012.pdf, and www.bls.gov/news.release/tenure.nr0.htm (all last viewed January 17, 2023); and Employee Benefit Research Institute estimates from the January 2014, 2016, 2018, 2020, and 2022 Current Population Surveys.

Source: https://www.ebri.org/docs/default-source/ebri-issue-brief/ebri_ib_578_tenure-19jan23.pdf?sfvrsn=cf6b392f_2

Pensions Are a Major Reason to Choose a Public Sector Job

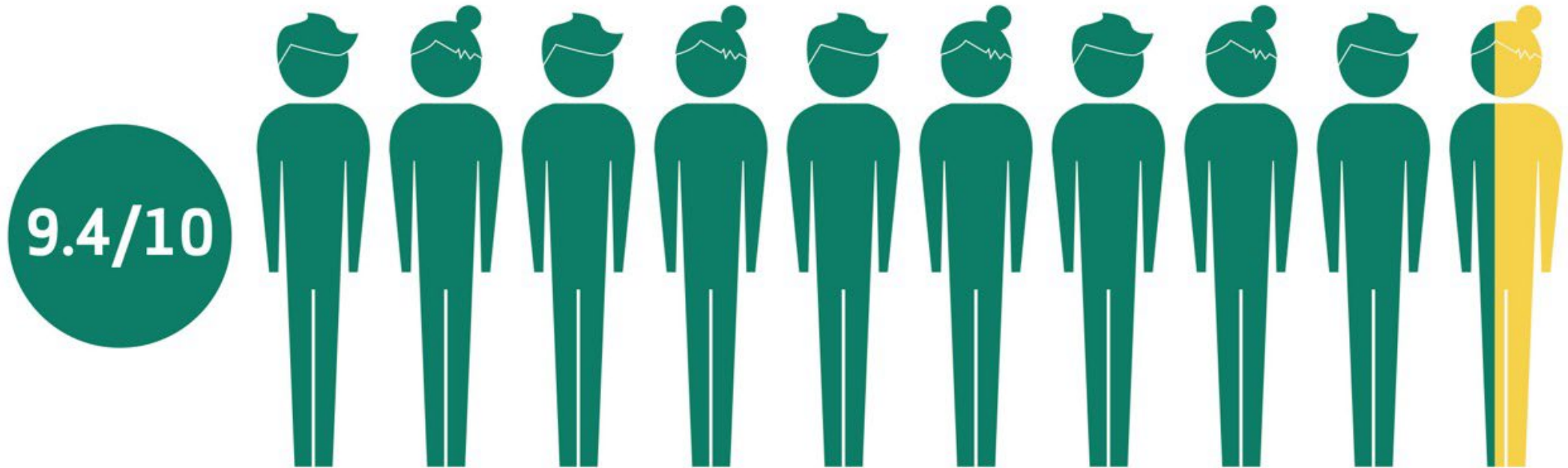
A pension benefit is a major reason I chose a public sector job in the first place.



Source: <https://www.nirsonline.org/reports/millennial-state-local-government-employee-views-on-their-jobs-compensation-retirement/>

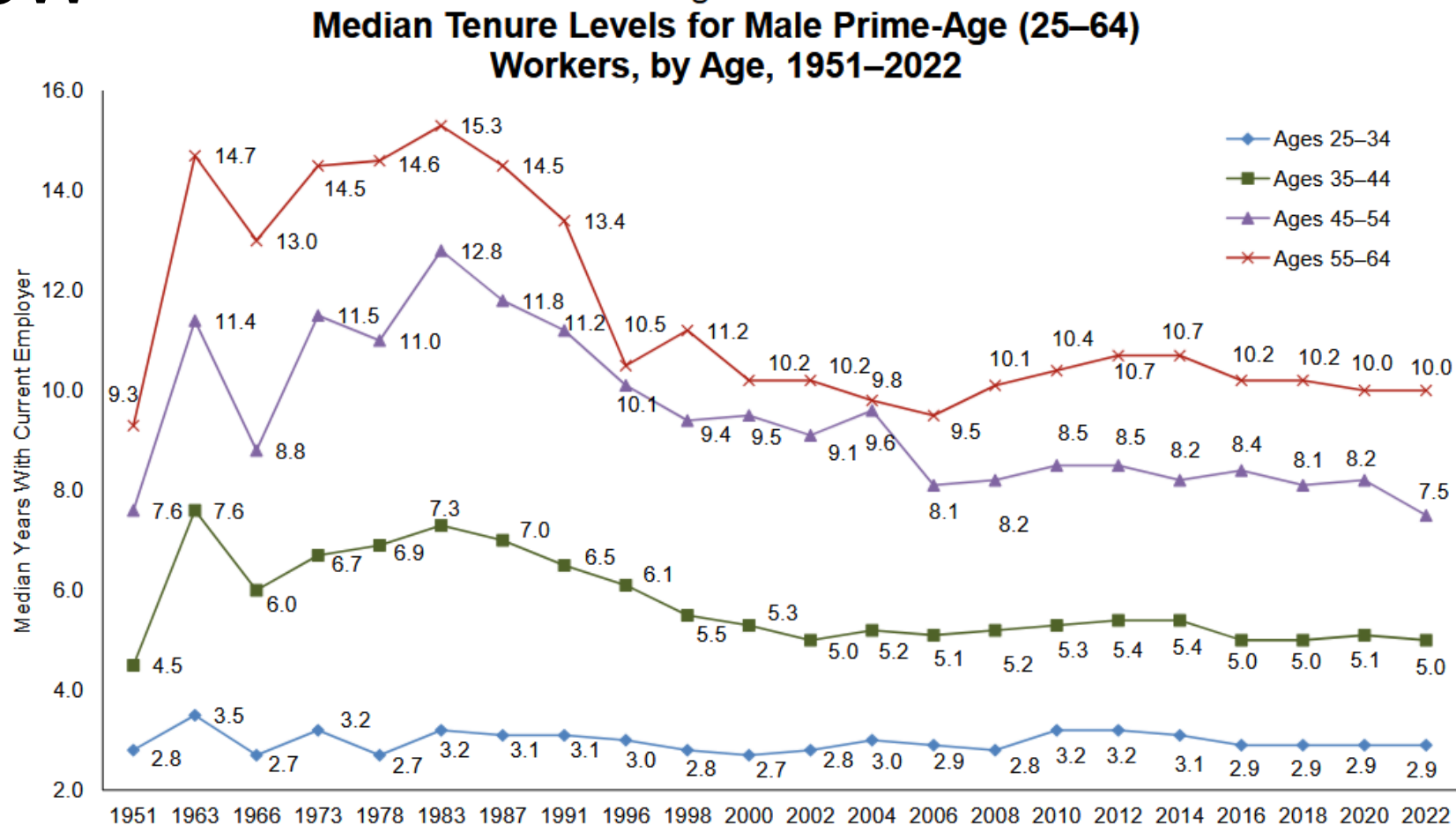
Pensions Are Effective at Recruitment... According to Millennials

Do you think offering a pension is an effective way for an employer to recruit new public employees?



Source: <https://www.nirsonline.org/reports/millennial-state-local-government-employee-views-on-their-jobs-compensation-retirement/>

Tenure for Younger Male Workers Has Always Been Low



Source: Data (for 1951, 1963, 1966, 1973, and 1978) from the Monthly Labor Review (September 1952, October 1963, January 1967, December 1974, and December 1979) and from press releases (for 1983, 1987, 1991, 1996, 1998, 2000, 2002, 2004, 2006, 2008, 2010, 2012, 2014, 2016, 2018, and 2022) from the U.S. Department of Labor, Bureau of Labor Statistics.

Source: https://www.ebri.org/docs/default-source/ebri-issue-brief/ebri_ib_578_tenure-19jan23.pdf?sfvrsn=cf6b392f_2

Other States Are Reconsidering Pension Changes

- Rhode Island Discussing Turnover Issues
- NY State and Local: Budget bill reduced vesting from 10 to 5 years
- Memphis reopened 1978 tier for public safety
- Trumbull, CT unanimously returned to pensions for police officers
- Jacksonville, FL returned to offering pensions for public safety
- MI moving corrections officers to State Police Pension
- State-run multiemployer plans (CMERS, MERS of MI, MOLAGERS, OMRP) onboarding more local employers that don't offer pensions